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ABSTRACT

This activity and resource guide is intended to assist teachers in developing course content and effective teaching methods in business education. (General Business for Economic Understanding," 11th edition, is the adopted textbook for this guide.) The guide is organized into twelve major units and is designed so that each unit builds upon the skills, knowledge, and concepts developed in preceding units. The units by title are (1) "Your Economic World"; (2) "How Business Serves the Economy"; (3) "Looking at Careers"; (4) "Being a Wise Consumer"; (5) "Practical Money Management"; (6) "Using Banking Services"; (7) "Using Credit Wisely"; (8) "Insuring Against Risks"; (9) "Saving and Investing"; (10) "Moving Ideas, Goods and People"; (11) "Government, Labor, and World Trade"; and (12) "Starting Your Career." Each unit is subdivided into several parts of related material for a total of fifty parts for the guide. The information in each part is organized by the following headings: learning goals; suggested teaching procedures; improving your business vocabulary; understanding what you read; applying your business knowledge; and enriching your business understanding. (JH)

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ED154253

THE WORLD OF BUSINESS

TEACHER'S ACTIVITY
AND
RESOURCE GUIDE

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Contents

Unit One **Your Economic World**

Part 1 Meeting Economic Needs and Wants
Part 2 Producing Goods and Services
Part 3 Checking Economic Progress

Unit Two **How Business Serves the Economy**

Part 4 What Businesses Do
Part 5 Organizing For Business
Part 6 Automating Business Activities
Part 7 Measuring With Metric

Unit Three **Looking At Careers**

Part 8 Moving Toward Your Career
Part 9 People in the Working World
Part 10 Exploring Careers in Business

Unit Four **Being a Wise Consumer**

Part 11 Your Place as a Consumer
Part 12 Finding Consumer Information
Part 13 Becoming a Sharp Shopper
Part 14 Your Consumer Rights and Responsibilities

Unit Five **Practical Money Management**

Part 15 Deciding How to Use Your Income
Part 16 Personal Money Management
Part 17 Family Money Management
Part 18 The Changing Value of Money

Unit Six **Using Banking Services**

Part 19 How Banks Serve You
Part 20 Opening a Checking Account
Part 21 Using Personal Checks
Part 22 How Your Checking Account Works
Part 23 Making Payments by Other Means
Part 24 Cashing and Depositing Checks

Unit Seven **Using Credit Wisely**

Part 25 Meeting Needs and Wants With Credit
Part 26 Obtaining a Loan
Part 27 Buying on Credit
Part 28 Installment Buying
Part 29 Keeping a Good Credit Record

Unit Eight **Insuring Against Economic Risks**

Part 30 How Insurance Handles Risks
Part 31 Insurance for Vehicles
Part 32 Home and Property Insurance
Part 33 Life Insurance
Part 34 Health Insurance
Part 35 Insuring for Income Security

Unit Nine **Saving and Investing**

Part 36 Planning Your Savings
Part 37 Using a Savings Account
Part 38 Investing in Stocks and Bonds
Part 39 Investing in Real Estate

Unit Ten **Moving Ideas, Goods, and People**

Part 40 Communication and Transportation
Part 41 Communicating by Telephone
Part 42 Communicating by Letter
Part 43 Transporting Goods
Part 44 How Americans Travel

Unit Eleven **Government, Labor, and World Trade**

Part 45 Government in the Ecomony
Part 46 Paying for Government Services
Part 47 Labor's Role in Our Economy
Part 48 Trading with Other Countries

Unit Twelve **Starting Your Career**

Part 49 Planning What You Will Do
Part 50 Entering the Working World

INTRODUCTION

As an experienced teacher or as a new teacher, you already will have ideas and plans for teaching the World of Business subject. We hope that many of the suggestions presented in this curriculum guide will assist you in developing content and the methods that will be effective in the classroom.

General Business for Economic Understanding, 11th Edition, is the adopted textbook for the World of Business subject area. Additional materials must be developed and utilized with the text to cover career exploration, business and office career, sales and marketing career (DE) and consumer interests.

OBJECTIVES OF THE WORLD OF BUSINESS

A distinguishing feature of a free enterprise system is that its guiding force is the grand total of millions of individual decisions that all of us make as producers, voters, and consumers. The preservation of this kind of system depends on the ability of individuals to make wise decisions.

Specifically, from a study of The World of Business, students should develop:

1. To acquire a vocabulary of business and economic terms that will enable students to comprehend what they read and hear.
2. To develop a knowledge of those business activities which affect everyone regardless of economic status.
3. To develop an awareness of career opportunities available to the students and to concentrate on the personal and educational qualifications required.
4. To develop a personal responsibility for the dignity of the individual, the expansion of his rights, and a heightened consciousness of the role of the worker in a democratic society.
5. To know the importance and functions of resources that are helpful to the consumer.
6. To help students explore the job and career possibilities available to them in the sales and marketing and office cluster areas.
7. To gain an understanding of the world of business and the part students will play in it as a consumer, producer and voter.

8. To assist students in developing a sense of direction and guidance toward the desirable traits which may assist them in becoming successful in the business world.

9. To develop in students an economic literacy and an understanding of the American business system and of business procedures, to foster an appreciation for our free-enterprise economy and to arouse a realization of our responsibilities as citizens in a free society.

SUGGESTED FORMAT

Unit 3 Looking at Careers
12 Starting Your Careers
4 Being a Wise Consumer
1 Your Economic World
2 Business Serves the Economy
5 Practical Money Management
6 Using Banking Services
9 Saving and Investing
7 Using Credit Wisely
8 Insuring Against Economic Risks
10 Moving Ideas, Goods, and People
11 Government, Labor, and World Trade

ORGANIZATION OF THE COURSE

The subject matter of World of Business has been arranged according to a plan that provides for progressive learning and that, when the course is completed, will enable the student to have a comprehensive picture of business in its economic setting. Throughout the textbook emphasis has been placed on economic-education objectives by integrating subject matter that has relevance to personal-management economics, general consumer economics, social economics, and occupational or career economics.

Division into Units and Parts

The course is divided into 12 major learning units, each of which contains several parts of related material. Each unit builds upon the skills, knowledges, and concepts developed in preceding units. The units into which the course has been divided are as follows:

1. Your Economic World
2. How Business Serves the Economy
3. Looking at Careers
4. Being a Wise Consumer
5. Practical Money Management
6. Using Banking Services
7. Using Credit Wisely
8. Insuring Against Economic Risks
9. Saving and Investing
10. Moving Ideas, Goods, and People
11. Government, Labor and World Trade
12. Starting Your Career

Each unit in the course is divided into several parts. Each part presents one significant phase of the subject matter of the unit. It is therefore recommended that one part be assigned as a reading lesson. After the text in a part has been carefully studied, several additional periods may be required for the completion of the questions, activities, and problems following the part.

The course contains a total of 50 parts. It is suggested that the first 24 parts, which make up the first six units, be completed during the first semester; and the next 26 parts, encompassing Units 7 through 12, be completed during the second semester.

Auxiliary Content

The appendix of the textbook features a section on where to find information and two sections on reviewing arithmetic calculations. These sections, together with a glossary of terms, may be conveniently referred to as needed by students as they study the world of business.

GENERAL TEACHING RECOMMENDATIONS

In teaching a course in the world of business it should be remembered that the students have already made numerous contacts with business. They have used communication, transportation, and travel services. Some have accounts in banks. Many have life insurance policies. Some will have social security cards. The successful teacher of world of business builds upon what students already know. To teach what students already know tends to make the course monotonous for students. It should be recognized, however, that students may have much misinformation. Erroneous concepts should be corrected. Added knowledge should be gained, and student perspective should be broadened. Other plans may prove effective, but the following suggested procedures will be helpful:

1. Conduct a preview of the unit or part. Most, if not all, students entering a course in the world of business have already had many experiences with stores, banks, transportation and communication companies, and insurance agencies, among others. The teacher needs to discover what information or misunderstandings students possess before studying the unit. Some students will have had very rich experiences in connection with some business agencies.

   Various techniques that may be used to discover this background of information and experiences include informal discussions, buzz sessions, pretests, oral reports, testimonials, and question-answer sessions.

   The information obtained from a preview gives the teacher a basis for deciding how to plan the instruction in the unit to the best advantage of the class. A fundamental aim here should be to stimulate the students' interest and to lead them to see the need for investigating and studying the subject matter of the particular unit under consideration.

2. Explain the principles or practices involved in the unit and give illustrations whenever possible from the local community. Then the objectives of the unit may be drawn from the student or suggested by the teacher, and the assignment may be given.

3. Provide for a directed study period during which the students study the text and other materials, solve the problems and complete other learning experiences. This period should be broken up into intervals for

study, laboratory work, trips of observation and inquiry, and discussion. In recognition of individual differences, additional or alternate assignments may be given to certain students.

4. The business community and the business experiences of the students and of their families should serve as a laboratory for world of business classes. Personal and family business problems may be discussed in the classroom. Arrange for carefully selected representatives of insurance companies, banks, transportation companies, and others to speak to the class and to answer questions. Insofar as school policy will permit, arrange for the class to visit places of business after adequate preparation has been made for the visit.

5. Use multisensory aids of various kinds. Many companies provide films that explain their services. Use local practices to supplement the textbook. For example, a table of service charges of a local bank will prove to be a valuable comparison with service charges presented in the textbook. Encourage students to arrange exhibits of banking forms, credit forms, contracts, insurance policies, and other materials used locally during the time that a particular unit is being studied. Thus the world of business becomes a living experience for the students.

6. Provide a period for organization, review, and reteaching. When the work of the unit has been completed, the students should be given an opportunity to go back over the unit in order to recall and organize their understandings of what has been studied. The students may prepare a written summary or outline of the unit or may take a test to assist them in providing a mental picture of what has been learned. Reteaching may be necessary at this point in order to fix important concepts in the minds of the students.

7. Organize a summary discussion period. In this stage of learning, the students should have a chance to express to the class the ideas they have received from the unit. The culminating activities may take the form of a general exchange of ideas among the members of the class, or they may take any form that the teacher or the class may choose. In one case a trip to some business institution may be arranged or a film may be shown. In another instance some business person may be invited to speak or to add in some other way to the background for the desired understandings. This step should serve to integrate and organize the separate knowledge, attitudes, skills, and appreciations gained in the unit.

PROVIDING FOR INDIVIDUAL DIFFERENCES

Just as in any other course, students in the world of business will demonstrate wide differences in ability and interests. Providing for individual differences is one of the more difficult and challenging tasks in teaching.

It is not advisable to require each student to complete all of the learning exercises provided in the textbook and the workbook for each part. Every part contains some learning activities that should be assigned only for the purpose of challenging the abilities of the brightest students in the class. It is a good plan for the teacher to study the needs of the class and then to select certain activities as basic or required learning activities for every member of the class. These activities should be chosen so as to insure the development of the fundamental understandings, attitudes, and skills to be developed in the course. The activities not designated as required may be suggested as optional learning activities, or they may be assigned individually. Thus students having different interests may be challenged in their study of the subject.

While the problem of providing adequately for individual differences probably never will be solved completely, the following suggestions will prove to be very helpful in teaching world of business.

1. World of Business deals with a large variety of subject matter. It is not to be expected that all students will display an equal amount of enthusiasm for all units. But in the variety of content, illustrations, and exercises presented in the textbook and workbook, all students will find many topics in which they have keen interest. One student may be especially interested in how businesses are organized, for example; another in advertising media; still another in banking services; and so on. The successful teacher of world of business is alert to such exhibitions of interest and will capitalize on them by giving the student every opportunity to enter in the discussion, collect materials, prepare exhibits, and participate in other ways. Enthusiasm is contagious. If the students' interests are recognized, if students have an opportunity to perform successfully in one unit of work, there is a greater likelihood that their enthusiasm for working will carry over to other subject matter areas.

2. Not all students learn in the same way. Some learn readily through reading. Others learn through problem solving, listening to interesting lectures and observing meaningful demonstrations, assembling materials

and preparing displays and exhibits, participating in discussions, preparing and putting on demonstrations, or completing workbook exercises. The teaching of the world of business requires the utilization at some time or other of all known teaching procedures, thus enabling each student to perform in those ways by which he learns best.

3. It is recognized that teachers use different methods of teaching with greater success with some students than with others. However, any method of instruction, if used continuously, no matter how successfully it may be used on one occasion, will break down and become monotonous in time. The successful teacher of world of business uses a variety of teaching techniques--at one time giving brief lectures, at another time conducting discussions, again having question and answer sessions, conducting debates, having students explain certain business practices or relating personal business experiences, arranging displays, conducting tours and visits to business offices and stores, making local surveys, showing slides and films, bringing business people into the classroom, and so on. In other words, the use of a variety of learning experiences and instructional methods is essential.

4. End-of-part activities are varied in nature. There is considerable variety in types of activities and in the difficulty of the items. These end-of-part activities have been so planned that many can be performed by even the slowest students, and others are challenging to the most capable students in the class. Some students might well be excused from completing certain end-of-part problems. Certain problems might be assigned to committees of two or three students working together. Students who demonstrate much ability in design and display work might do this sort of thing in lieu of certain end-of-part activities. Among these "extra credit" activities the following are suggested: building bibliographies of related reading materials available in the library, conducting community surveys, interviewing business executives or successful graduates on the job, searching for the most recent information on labor legislation or social security, obtaining information about local business practices and explaining to the class how they differ from the practices explained in the textbook, obtaining and writing up descriptions of jobs available to high school graduates, conducting follow-up studies of selected graduates. The alert teacher of the world of business will see many additional opportunities for special assignments in the school and community situation.

CAREER PLANNING AND THE STUDY OF OCCUPATIONS

Throughout the course, through the text itself, through end-of-part activities, and through photographs and illustrations, the student learns about employment opportunities in various kinds of businesses and industries. For example, the student will gain understandings about jobs in banking and finance, insurance, credit, transportation, and communication as the scope and functions of these and other fields are studied.

Early in the course the student should be encouraged to select a career for study. Throughout the course the student should collect and organize career information to be assembled as a career project. Special forms are included in the two workbooks for the student to use as a guide in developing the project. In Units 3 and 12 the student receives information on how to analyze potentialities, match personal qualities with the requirements of an occupation, prepare for an occupation, and be effective in seeking employment. The workbooks provide directions and forms to help the students develop and complete their career projects.

At the end of Units 3 through 12, a Career Summary Report in the workbooks helps the student think about the career area discussed in the textbook Career Focus section. Thus in world of business the student has the opportunity throughout the entire course to gain experience that will be helpful in selecting a career and in making preliminary plans in preparing for a career.

The emphasis given to career study and planning should depend a great deal on whether or not students are being asked to do similar assignments in other courses. If an occupational guidance unit, for example, is already a required part of the general education pattern for all students, then there may be considerable overlapping with the career planning project proposed for world of business. If this is the case, the world of business teacher may need to place less emphasis on career planning or, preferably, to work cooperatively with the students' teachers in those other courses that include career planning as a major objective.

Study of Occupations

Beginning with the study of Unit 1, students should be encouraged to select occupations about which they would like to have additional information, with the view of considering a particular occupation as a possible career goal. The following suggestions may be of help to world of business teachers in directing the students' interests and efforts in considering and studying careers:

1. Call the attention of the students to the special

forms on pages 153 to 160 in the first workbook that they will be using as a guide in making a study of occupations. Tell them that additional forms will be available in the second workbook.

2. It is suggested that each student report to the teacher the occupation to be investigated. The teacher should not restrict investigations to jobs in business. Explain to students that they should begin assembling information about their chosen occupation. If the student is uncertain about the kind of work to prepare for, or if two or three occupations are appealing, the teacher should hold a private conference with the student and help him or her decide upon one that seems best. Try to get the students to realize that on this project especially they are working for themselves and not merely completing an assignment for the teacher.

3. Urge the students to be continuously on the alert to collect materials (pictures, charts, clippings, magazine articles, folders, etc.) that provide information about the career choices that interest them. Many of these materials may be very useful in preparing the final career project for this course.

4. It is suggested that the teacher prepare a list of all occupations being investigated by the class. From time to time as the teacher sees material about these occupations in newspapers and magazines, the information may be given to the students. This is particularly important for the students who are somewhat undecided, or who tend to look upon the project as just another chore. From time to time a progress check should be made on the project. This can probably be accomplished through informal conferences with individual students.

5. It is recognized that young people may change their minds many times before eventually deciding upon the kind of occupation they will actually follow. This is a normal situation and does not obviate the value of studying an occupation. The real value of an occupational study lies in providing students with a pattern for investigation and the experience, so that they have a framework for making other investigations in the future if they do change their minds.

6. It is suggested that about a month before the close of the first semester the teacher should check to determine what progress the students have been making on their career projects. Students who have made little progress in assembling materials and organizing information should receive individual attention.

7. Toward the end of the first semester students should be completing the career forms on pages 153-160 of the workbook. Some students, especially those who are not yet sure of their occupational choices, may wish to save the workbook forms for the final preparation of their career reports at the end of the school year.

8. If facilities are available in the classroom, the teacher may wish to keep a world of business folder for each student. Forms, clippings, notes, and other materials could be in these folders, thus reducing greatly the chances of students' losing materials they have collected and reports they have in progress.

9. Advise students to supplement the forms provided in the workbook with whatever additional pages are needed to cover the occupational information they wish to report.

10. Remind students that the career projects will be completed during the second semester and that they will be submitted to the teacher near the end of the course.

Completing the Career Projects

If possible, time should be allowed in the closing weeks of the course to have students present to the class summary reports on their career projects. In this way all members of the class could benefit from the occupations investigated by their classmates. The suggestions that follow may be helpful in completing the career projects:

1. The final pages of the second workbook will guide the students in completing their career projects. These pages will need to be consolidated with the materials developed in connection with pages 153-160 of the first workbook.

2. From the beginning of their study of Unit 12, "Starting Your Career," students should be given encouragement and direction in the completion of their Planning a Career projects. The following instructions on "How to organize a career report" should be previewed and referred to from time to time during the study of this unit:

   "Throughout the course in world of business you have had opportunity to collect materials and prepare reports related to your career goals. Many of these materials you will want to keep for future guidance and reference. Organize, classify, and assemble these materials in an orderly manner. You may wish to prepare a Personal Career

> Binder with material divided into selected chapters or parts. And for this total report you may wish to prepare an attractive cover, a title page, and a table of contents. Be creative, imaginative, and neat. Prepare a final report that will be of value to you and that you will be proud to keep."

TEXTBOOK TEACHING AIDS

A variety of learning exercises, problems, and activities are listed for each part of the textbook. The plan of teaching outlined previously harmonizes with the suggested student activities contained in the textbook.

The learning activities listed are only suggested assignments. Teachers should not feel compelled to use all of them. No one set of activities can be said to be the best for all groups of students.

Many other student activities may be found to supplement the ones listed, and in some cases to take the place of them. Those activities that are best suited to the gaining of the specific objectives should be carefully selected with consideration for individual differences. In guiding these activities, the teacher should assume the role of coworker. Such guidance should assure effective learning, as it will help students to keep preconceived goals in mind. Any plan for teaching should include a variety of activities and outcomes. It is undesirable, however, to give too much emphasis to any one type of activity.

Improving Your Business Vocabulary

A strengthened vocabulary helps the student gain a better comprehension of business principles and an appreciation of business relationships. The ability to use effectively a broad general, business, and economic vocabulary also aids the student in becoming a more intelligent consumer of business services and goods. The development of an adequate vocabulary is therefore an important purpose of a course in world of business.

To assist the student in developing an adequate vocabulary, the new and significant words and terms used in this text are grouped together at the end of each part under the heading Improving Your Business Vocabulary. The vocabulary studies are planned primarily to assist the students in developing an accurate understanding of the meaning of the concepts developed in the course. The vocabulary is a review of all new terms introduced in the part. The definitions of the terms are arranged in the order in which they were introduced in the part.

In order to acquire a basic mastery of different business and economic concepts, students should be required not only to obtain an understanding of the meaning of a word but also to master its spelling. Consequently, oral and written spelling drills covering the business vocabulary should be given frequently.

Understanding What You Read

At the end of each part of a list of questions is given for the purpose of helping the students fix in their minds the important information read in the text. The major purpose of the reading check is to provide a means of checking the adequacy of the information the students have acquired from their individual reading of the text or from their own life experiences. After the students have acquired sufficient knowledge of the part, they are ready to begin the study of the application of their information by working out the activities and problems.

The reading check may be used in a variety of ways. The questions may be answered orally in class by the students after they have read the part; they may be used as a pretest of subject matter information before the part has been read; or they may be used as study-guide questions for the purpose of giving direction to the students in their reading of the part. Occasionally students may be asked to make brief written notes of their answers to the questions.

In order to add variety to the classwork, an objective study guide is provided in the workbook for each part of the text. This material appears under various titles on the first page of each workbook part. This objective study guide may be substituted for the reading check as desired. An objective study guide likewise may be completed by a student while studying. When it is used in this way, it aids the student in observing important information and makes it easier to master the more significant concepts presented in the text. As each guide is objective in form, it can be completed quickly by the student.

A study guide may also be used as a pretest. When it is used as a pretest, it indicates to the student the new information that will be presented in the lesson, and it thus motivates study.

The use of the reading check questions and the objective study guides as pretests is especially desirable for those parts that contain information with which the students are somewhat familiar. Pretesting is desirable in such cases, not only to emphasize to the students the information that they are to obtain, but also to call to their attention the limitation of their present knowledge. Students may think that they have rather complete information on some subjects and may therefore be inclined to study the parts relating to these subjects rather superficially unless, through a pretest, the limited amount of their knowledge is brought to their attention.

Applying Your Business Knowledge

The activities given at the end of each part under this heading call for an application of the information given in the text to practical situations. The reading check questions and the objective study guides previously discussed show whether a student has learned the information in the text, while the activities required in the *Applying Your Business Knowledge* section help determine whether the student understands this information and can apply it in a satisfactory manner. An understanding of significant information and the ability to use it are the goals to be attained; although, of course, learning the facts and information in the text is a necessary first step.

Among the applied activities and the projects included in different parts of the textbook are many that require reading, writing, discussion, problem-solving, notetaking, simple investigations, interviews, reports, and the collection of materials. Thus students have an opportunity to use the fundamental tools of study in a variety of learning situations.

It is important to note that in a few cases an activity under the *Applying Your Business Knowledge* section involves obtaining information from some source in the community or in any event from outside the textbook. The teacher should use considerable discretion in assigning these particular activities. *If the activity involves obtaining information from a bank, for example, the responsibility for obtaining the information should be given to one student or to a committee of two or three students, rather than using it as a blanket assignment for the entire class.*

Solving Business Problems

The end-of-part materials include several *Solving Business Problems* that give the students a further opportunity to apply the information presented in the part. Almost all of these problems require rather extensive work in arithmetic and thus serve to integrate fundamental arithmetic skills. Furthermore, these problems are based upon the information related to the part. They are useful, therefore, not only for the purpose of increasing the students' skill in arithmetic, but also for enlarging the students' basic understanding of business practices and developing essential consumer business skills. Space for all of these problems is provided in the workbook.

Supplementary problems involving a variety of learning activities, including the application of arithmetic skills, are given for different parts of the course in the workbook. These problems provide enrichment materials useful in planning instruction to meet individual differences in students' abilities and interests.

Again, the teacher of world of business should use some discretion in assigning these problems. The problems vary in difficulty from those that can be completed by lower ability students to some that will be challenging to the most capable students. In many cases a particular problem will require a variety of calculations. It is conceivable that certain students might be excused from working those parts of a problem that involve more difficult percentage concepts, for example. Thus, the Solving Business Problems provide additional opportunity to take care of individual differences.

Enriching Your Business Understanding

The projects in this section are especially challenging. In order to complete these projects, the student is required to exercise careful judgment, to investigate sources of information outside the textbook, or to conduct studies of a research type. This section was especially designed to enable all students to participate in activities outside the textbook. Under ordinary circumstances each student in the class should be able to work at least one of the activities. Some teachers may prefer to think of these items as "extra-credit" activities to be assigned only to average and above-average learners. However, the activities are designed to take the student outside the textbook, and because of a wide variety of student interests, these activities need not be reserved solely for the better students. In some cases two or more students may be asked to work together on these projects. Oral reports by students might be made on occasions to the entire class.

WORKBOOK TEACHING AIDS

The use of Activities and Projects (workbooks) is optional. Their use is recommended, however, because (1) they provide valuable teaching aids that cannot be included in a textbook; (2) they provide the student with a plan for organizing work; (3) they save teacher time by making it unnecessary to prepare and duplicate required business forms; and (4) they provide uniformity in the organization of student reports, thus facilitating considerably the checking of papers.

Forms and Illustrations

In order to complete many of the related business problems, students should have actual business forms available to provide for the most effective learning situation and to make their study realistic. The workbooks contain the blank forms necessary to complete problems included in the textbook for which an actual business form is needed. Their use thereby saves a great amount of time for the students and the teacher in the preparation or the collection of different business forms.

Drawings, graphs, and other illustrations relating to specific assignments have also been included in the workbooks to stimulate the interest of students.

Supplementary Activities

Almost every part contains one or more supplementary activities. Solving these problems tends to fix in the minds of students important business and economic concepts or to provide additional practice in certain basic skills. The teacher may wish to use these supplementary activities as optional assignments for the more capable students.

Additional Learning Activities

Every part contains a learning activity under an appropriate title such as Check Your Understanding of Needs and Wants, Understanding Economic Resources, Check Your Reading About Meeting Economic Needs and Wants, or Analyze Your Dollar Votes. These activities are objective in nature. When they are used, the papers may be exchanged among the students and may be graded as the teacher dictates the answers. If the teacher wishes to find which of the questions give the students the most difficulty in order to know which to emphasize in the class work, the students may indicate by a show of hands how many have missed each question.

Methods of Using the Workbook

The workbook can be used as an effective teaching and learning device. Variation is suggested in its use. Certain workbook activities may be used as out-of-class assignments. Some of the more difficult problems may be worked in class under the direction of the teacher. Certain workbook activities and problems lend themselves to use for class discussion purposes. A transparency may be made from any page of the teacher's edition and may be used for illustrating solutions to selected workbook problems or activities. In no event should the use of the workbook degenerate into routine form-filling in which some students copy answers from other students.

Developing Desirable Work Habits

Whether or not the workbooks are used in teaching world of business, the teacher can effectively use the end-of-part activities and problems in teaching proper work habits. Neatness, accuracy, promptness, and completeness should be stressed at all times. Some students will need help in writing figures and in organizing their work. Emphasis should be placed upon the fact that every assignment turned in is an important business report. It is suggested that for each part the teacher set a date and time when the assignment is due. Some teachers of world of business have made effective use of a date stamp. Each paper that is handed in late should, of course, be accepted, but should be considered as a late paper. Students who habitually hand in late papers should receive individual attention from the teacher. Every attempt should be made by the teacher to encourage each student to hand in neat, accurate, and complete reports on time. Thus much can be done to develop in students proper habits of work.

ACHIEVEMENT TESTING AND GRADING

Unit Tests

Achievement tests of the short-answer type are available for each unit in the course except that two tests are available for Units 6 and 8. Thus a total of 14 tests is available, Tests 1 to 7 for use during the first semester, and Tests 9 to 15 for the second semester. Each of these tests is designed to measure the more significant concepts, skills, and understandings developed in each unit.

While each of these achievements tests will measure the extent to which students have gained an understanding of the more significant aspects of the subject matter of each unit, it is suggested that the teacher give additional interim tests, probably at the end of each part. For this purpose the teacher may either use some of the short-answer type questions in the workbook, prepare different tests, or both. And often the teacher may prefer to give a few essay questions to assess the student's comprehension of material presented. Through the use of these interim and end-of-part tests--many of which can be very brief checkups of an informal nature--the progress of individual students can be observed as they proceed through the unit. Thus the teacher has a better opportunity to observe weaknesses and to provide for whatever remedial teaching or specialized assignments may be necessary than by waiting until the students have completed a unit and administering the more formal achievement tests at that time.

Semester Tests

In addition to the unit achievement tests, two end-of-semester achievement tests are available; Test 8 is to be given at the end of the first semester or the completion of the first 24 parts, and Test 16 is to be given upon the completion of the course at the end of the second semester. Each semester achievement test covers those skills, knowledges, concepts, and understandings that are especially important to every citizen in performing the activities associated with economic life.

Neither the unit tests nor the semester tests are included in the workbooks; thus they can be more easily controlled and are especially useful in assigning grades. One copy of each set of tests with printed answers is contained in the Teacher's

Activity Guide. A transparency may also be made of any test.

REFERENCES FOR METHODS OF TEACHING WORLD OF BUSINESS

Many suggestions for improving instruction in world of business appear in various books and magazines. The following are several references that may be of help and interest: (1) Anne Scott Daughtrey, Methods of Basic Business and Economic Education (2d ed.; Cincinnati: South-Western Publishing Co., 1974). (2) Lloyd V. Douglas et al., Teaching Business Subjects (3d ed.; Englewood Cliffs: Prentice-Hall, 1973). (3) Harm Harms et al., Methods of Teaching Business and Distributive Education (3d ed.; Cincinnati: South-Western Publishing Co., 1972). (4) Vernon A. Musselman and Donald Lee Musselman, Methods in Teaching Basic Business Subjects (3d ed.; Danville: Interstate Printers & Publishers, 1975). (5) Estelle L. Popham et al., A Teaching-Learning System for Business Education (New York: McGraw-Hill Book Co., 1975). (6) Articles in The Balance Sheet, Business Education Forum, Business Education World, and other professional publications.

MATERIALS AVAILABLE FOR USE WITH GENERAL BUSINESS FOR ECONOMIC UNDERSTANDING, ELEVENTH EDITION

Activities and Projects

The textbook for World of Business for Economic Understanding is complete in itself; that is, questions and problems are contained in the textbook so that supplementary material is not required. Two workbooks, Activities and Projects, Units 1 to 6, and Activities and Projects, Units 7 to 12, are recommended, however. They save time, add to the interest of the students, and make the instruction more effective. These books are:

Stock No.	Description
G141	Activities and Projects, Units 1 to 6, ordinarily used during the first semester.
G142	Activities and Projects, Units 7 to 12, ordinarily used during the second semester.

The Activities and Projects provide forms for completing all the Solving Business Problems. They also provide the following:

1. Groups of objective questions that may be used to review quickly the facts in a lesson.

2. Supplementary activities, many of which can be given effectively in the Activities and Projects than in a textbook.

3. Drills to increase students' skill in writing figures and words.

4. Additional drill in arithmetic.

Activities and Projects, Teacher's Edition

These books are the same as the Activities and Projects available for students' use except that in the teacher's edition answers are given for all Solving Business Problems in the textbook and all supplementary questions and problems in the Activities and Projects. These answers are not repeated in the Teacher's Activity Guide. It is hoped that having the answers in the teacher's edition of the Activities and Projects will be convenient for the teacher both in conducting class discussions and in checking papers. Any page of the teacher's edition of Activities and Projects may be used as a master for preparing a transparency of the solution. Refer to the inside front cover of the teachers' edition for more specific information.

Objective Tests

Periodic tests and examinations are available for each semester for the new edition of General Business for Economic Understanding. These tests are as follows:

Stock No.	Description
G143	One each of the seven periodic tests and the semester examination for Units 1 to 6.
G144	One each of the seven periodic tests and the semester examination for Units 7 to 12.

Each set of tests is planned for use during one semester. Each set contains seven periodic tests and one semester examination.

One copy of each set of tests with printed answers in contained in the Teacher's Activity Guide. A transparency may also be made of any test.

Transparency Masters

Two transparency masters have been prepared for each of the 50 textual parts. In addition, four extra transparency masters provide blank forms that may be used in teaching the parts which deal with banking and money management. The masters will provide a good quality transparency for use with an overhead projector if the proper setting of the thermocopying or photocopying equipment is used. The teacher should follow the equipment manufacturer's recommendations for best results.

The transparency masters are identified by part number, and the teaching suggestions for each textual part refer to the suggested use of the two masters. Several of the masters may be used for more than one part of the textbook. The masters have been designed to reinforce and expand the principles that have been covered in the text.

Business Simulations

For schools having time for additional problem work, two optional business simulations are available. These are entirely independent units. Neither requires a knowledge of accounting and no effort is made in them to teach accounting principles. Each, however, provides valuable training in record keeping and may be used for guidance purposes to determine whether students have an interest and an aptitude that would justify their continuing with the study of accounting.

The two supplementary simulations are:

Business Simulation--Gregory James Company. The purpose of this simulation is to provide a complete project in which a student can use a number of simple business forms. The work is based upon the transactions of a small business. Although the student uses a number of different source documents and makes a record in books of account of the transactions evidenced in these papers, the student is not required to learn anything about debit or credit or about other accounting principles. The simulation is useful in stimulating students' interest, in giving students an understanding of how businesses operate in rendering useful services, in giving them an understanding of the methods used in recording transactions, and in providing a tryout to test whether they are likely to profit from a study of accounting.

Family Financial Management. This simulation on household financial management may be used most effectively after students have completed Unit 5, "Practical Money Management." The simulation develops skills needed in keeping financial records for three types of households in a typical American community. One month's transactions are given for a single person and for a newly married couple. Two months' transactions are given for a family of four. Contemporary source documents are used to represent many of the realistic activities. The importance of living within a budget and having a continuing savings plan are stressed.

UNIT 1 YOUR ECONOMIC WORLD

A major goal of education is to develop citizens who are interested in, concerned about, and aware of economic issues and problems that persistently face all of us. This broad, overall goal of economic education cannot be achieved through any single course. It must be developed through different teachers in different ways throughout the school program. Early in the secondary school program--particularly in the 9th and 10th grades--the general business teacher has a special opportunity to provide students with a greater knowledge and a better understanding of their economic environment. Through the content and activities in Unit 1 of *General Business for Economic Understanding*, students are presented with an overview of the purposes and characteristics of our economic society.

In Part 1 of this introductory unit, emphasis is placed on the economic fact that our wants are unlimited while at the same time our resources are limited for satisfying these never-ceasing wants. The concept is next developed in Part 2 that all societies are necessarily concerned with three basic economic questions: What goods and services should be produced? How should these be produced? For whom should these be produced? In addition, the features of our American economy, compared to some extent with those of other economic systems, are described. The health and growth of our economy are discussed in Part 3, where recognition is given to the importance of today's youth in building our economic future.

The objectives of this unit are to:

(1) Realize that human wants appear to be endless.
(2) Know that we are limited in the amount of economic resources we have for providing goods and services to meet unlimited wants.
(3) Understand that all of us must make economic decisions or choices as to what wants shall be satisfied within the limitations of our available resources.
(4) Identify and explain the three basic economic questions that must be answered by every economic system, including our own economy.
(5) Defend the contention that a knowledge of our economic system and how it operates is of great importance to the well-being of each individual as well as of our total society.
(6) Describe methods of determining how and to what extent our economy is growing.

PART 1

MEETING ECONOMIC NEEDS AND WANTS

Learning Goals

1. Be able to distinguish between *needs* and *wants*.
2. Comprehend the need for interdependence of people in modern society.
3. Define and use in verbal and written communication such terms as "business," "goods," "services," "consumer," "economic system," and "economy."
4. Describe and give examples of three kinds of economic resources that are essential in producing goods and services.
5. Analyze the effects of economic decisions in our economy.

Suggested Teaching Procedures

The teaching suggestions for Part 1 are given in more detail than in subsequent parts. It will be observed that many of these suggestions are general in nature and apply to many of the parts that follow as well as to this opening part.

1. Before getting into a full and direct discussion of the content of any part, students should be expected to read the textbook material carefully. Realizing that students vary widely in ability to read with comprehension, it is advisable to have the students read the entire part--or sections thereof--silently in class if the material has not been previously read in connection with homework assignments. Avoid reading in unison. Ask individual students to read aloud to the class mainly to clarify, emphasize, or review certain points.

To check students' ability to comprehend, refer to the *Understanding What You Read* questions to see if students have obtained from their reading the ideas covered by these questions. If they have not, show them in the text the topical discussion that contains the information required. The first-page exercises of each part in the *Activities and Projects* provide additional means for estimating the students' reading comprehension.

Note that the authors' style of writing helps the students to direct their thinking as they read. The "you" approach is used throughout so that the content is related specifically to the needs and activities of students in their everyday living.

Provide your students with continuing guidance in the development of their reading skills. Explain such items as:

(a) The use of the table of contents to gain an overview of the course.
(b) How headings serve as an outline for recall and review of topics treated in each part.
(c) The nature and purpose of each section of the end-of-part activities.
(d) How to study charts, tables, photographs, and other illustrations to gain additional meaning from the textbook.
(e) The value of Appendix A as an aid in finding useful information for responses to questions and activities provided in each part.
(f) Reference to Appendix B and C for help in solving some of the business problems appearing in various parts.
(g) How to use the Glossary to find explanations of terms.
(h) How to use the Index to locate material that one needs to review.

2. After students have read the part, ask them to complete the first section of end-of-part activities, *Improving Your Business Vocabulary*. This is a valuable device for clinching concepts about business and for checking student reading comprehension. Only words used in the textbook are used in the vocabulary exercise; therefore, students should complete the exercise without undue difficulty. A useful classroom device is to ask the students to use the terms in many sentences. If they fail to use the word correctly, refer them to the glossary or to the material in the part.

Building a vocabulary about business and economics and being able to spell the words correctly are two of the contributions of the general business course to the general education aims of the American secondary school. Hold the students responsible for correct spelling. A spelling drill or quiz at the end of each part or unit is a defensible teaching technique to achieve the aims of the general business course.

List vocabulary words on transparency. Project as review or quiz to have students define or use in sentences.

3. In this course and increasingly in their future personal affairs, students will need to complete business forms and records (write checks, fill in application forms, etc.) and write messages and reports on frequent occasions. In the modern business world, too, the quality of handwriting

is taking on added significance. Precise readability is essential in certain phases of data processing. For example, the post office and an increasing number of business and government organizations are making use of optical scanners and other devices that read handwritten letters and figures. This capability bypasses the keypunching operation, thus increasing the productive capacity of computers and other automated equipment. These sophisticated machines depend directly on the accuracy and distinctiveness of the handwriting--input--that is fed directly into them.

It is highly important that the students write legibly, with special emphasis given to writing figures distinctly and accurately. Call the attention of the students to *Improve Your Writing of Figures* on page 5 of the *Activities and Projects*. Teachers will need to help those students who have difficulties with proportion and style in writing or who have developed careless habits. From time to time throughout the course, teachers will find it worthwhile to give praise to those students who show improvement in handwriting skills. Hold an old-fashioned writing (penmanship) contest in the class. Choose the material to be used for copy, the time allowance, and select judges. Award a prize or prizes if possible.

4. The illustrations included in the textbook are useful for the purpose of enlarging the students' understanding of the reading matter. Refer to these illustrations and their captions regularly. Elicit from the students significant ideas and facts presented in the illustrations. For example, consider the "Our Economic Resources" graphic on page 7 of the textbook. Individual students may be asked to explain orally to the class the meaning of each type of resource and then to add to the specific examples that are given for each type. At other times, teachers may wish to have charts or tables analyzed by asking students to make comparisons, indicate trends, or otherwise draw conclusions from the data presented. Sometimes several pages of copy would be required to relate the information that can be gleaned from a single illustration.

5. The *Applying Your Business Knowledge* section affords an opportunity for students to apply to practical life situations the information gained through reading the textbook. It is suggested that at times, particularly in the early part of the course, students be permitted to work out in a directed study period their solutions to the *Applying Your Business Knowledge* section and the *Solving Business Problems* that follow. While the students are completing their solutions, the teacher should be supervising their study and giving individual help as it is needed. For some activities in parts that follow, the work must be completed outside of school; but generally many of the activities may be completed in class.

6. Many--probably most--teachers desire to incorporate the fundamentals of arithmetic in their general business classes. By completing the problems grouped under *Solving Business Problems*, students will be able to strengthen and refine their abilities in basic mathematics. These problems relate to current business, economic, and social situations. Many of the problems are built around typical business transactions performed by a student in personal business affairs or in relation to family business activities. Insofar as possible, these exercises tie in closely to the topics under discussion.

Teachers will want to use a variety of methods to develop interest and competency in calculating the math problems. For example, in solving the problems in Part 1 (page 11) the teacher may well start off by working problem 1 on the chalkboard while the students work the problem. Some students may need assistance in reviewing percentages and "rounding out" to the nearest whole number. Next, students may be asked to volunteer to do problems 2 and 3 on the chalkboard while the teacher moves about to help other students at their desks.

In subsequent parts, teachers will want to use other approaches and techniques which may include the following:

(a) Ask students to complete all problems before they proceed to other assigned activities.
(b) Permit students to go as far as they can within a prescribed time limit. Collect and evaluate papers in terms of speed and accuracy.
(c) Have students complete the problems as they see fit (in study period or as homework) with the understanding that they will be given a quiz the next day covering one of the problems (or one similar to it) in the part.
(d) At times, allow students to work in teams of two to complete problems.
(e) When feasible, give students extra recognition for designing illustrations or step-by-step outlines that can be used for class display to help students solve problems that may be considered more difficult.
(f) Make a transparency of the detailed solution appearing in the workbook and review those problems or steps of selected problems which cause difficulty.

7. The *Enriching Your Business Understanding* section contains questions and projects designed to add vitality to the course and to challenge students who can be "turned on" in General Business classes. The activities in this section

are intended mainly, but not exclusively, as optional experiences for students. In general, these activities should be divided among various students. Ordinarily, no one student should be expected to complete all optional exercises.

In order to prepare satisfactory solutions for the enrichment activities, students will need to investigate sources of information beyond the textbook. Many of the projects will take individual students or student committees outside the classroom and will involve them in such meaningful and maturing experiences as reporting on observations, making surveys, conducting interviews, and engaging in library research. Students should be expected to report on their findings and to make decisions or recommendations. Although there are questions and projects suitable for varying levels of student ability, the activities are designed particularly for those who are among the more creative resourceful, and able students.

Throughout the different parts there are enrichment questions that can lead to stimulating classroom discussions. Note, for example, that question 2 in Part 1 (page 12) is socially relevant and could result in lively student participation.

8. One of the purposes of general business is to help students do a better job of managing their personal affairs. This means more than guiding students in managing their money and controlling their spending. It should also include the management of one's time.

Starting with Part 1, stress the importance of being wise and efficient in planning study programs and in completing class assignments on time. Teachers are encouraged to set dates on which oral and written work is due and to point out to students the necessity for completing the work in each part on time in order to avoid the confusion of solving problems of one part while studying another part.

9. *The first day:* One approach to launching the course in general business and to introducing the content in Part 1 is to assume that each student has been given a certain amount of money--say $100--and then to ask some of the students how they would spend this money. Of course, answers will vary. Early in the discussion it will become evident that the students' wants will probably far exceed what they can buy with the given amounts.

On the chalkboard, note the names of a number of individual students and list for each the goods and services they name for satisfying their wants. The fundamental concept of the problem of scarcity or limited resources, along with unlimited wants, can thus be developed on a level which young students can understand. This portrayal should then lead to the recognition of the need to make choices or to economize in the use of our resources. A discussion of this nature should enable the students to understand more readily and easily the basic economic ideas presented in Part 1 as well as in the parts that follow in Units 1 and 2.

Give a student a quantity of candy with instructions to *pass it to the rest of the class*. Only you know that there are fewer pieces of candy than there are students in the class. When the students discover that there is not a piece for everyone, the teacher may remind them they have now discovered scarcity. *Discuss* relative scarcity, supply and demand, as well as alternatives the teacher and class may resort to in solving the problem. Examples might include auctioning the candy, cutting or breaking the pieces, giving only to under-weight persons, ruling out candy in class, or furnishing candy daily.

Discuss with students how to visualize a million--people, automobiles and dollars. Have each student *write a theme* entitled "How to Spend a Million Dollars in a Week." Specify that expenditures must be specific and costs accurate. Discuss the themes to consider if purchases are needs or wants. Is it possible to spend a million dollars in a week?

Write on individual slips of paper various ways of using an unexpected one hundred dollars, e.g., savings account, down payment on a motor bike, or lending it at interest. Have students draw slips, *investigate* their *alternatives*, and *defend* their options in a class discussion. *Construct* and *display flow charts* showing the effect of each option on the economy.

10. After economic resources have been explained and the problem of balancing our resources with our wants has been adequately considered, the important idea of *conserving* our resources should be introduced. Use Transparency Masters 1-1 and 1-2 to help develop the ecological aspects of the use and misuse of our natural resources in particular.

11. *A preview of the course.* During the first day or two of the semester spend some--but not all--of the period giving an advance picture of what is to come in general business. Do not belabor this preliminary viewing of the course--perhaps 20 to 30 minutes should be the maximum time. The ideas on pages 8 and 9 of the textbook can serve as a starting

point. Add to these ideas by drawing out from the students questions and problems they would like to have explored in the course. List these on the board (make your own copy for future planning). In reality, many of the topics that will be suggested by the students already appear in the text, but it is desirable to have the students feel that they are directly involved in planning the course. Students, however, could contribute a number of specific items that will be new; furthermore, their responses to some extend can determine the degree of emphasis and importance that should be placed on various parts of the text.

On the second or third day it may also be worthwhile for the teacher to read and discuss in an informal manner the Preface (pages iii-vi). In condensed form the Preface explains how the course materials are organized and what some of the content features are. Again, a word of caution: Setting the stage for the whole course has merit, but do not attempt to do all of the overviewing at one time.

Following items cover elementary economic principles affecting individuals every day. They show development from most primitive to advanced economy. Book: "Life on Paradise Island". Filmstrip: "Birth of an Idea", record or cassette. Fulton Center - 228-8046.

PART 1

MEETING ECONOMIC NEEDS AND WANTS

Improving Your Business Vocabulary Page 10

1. economics
2. needs
3. wants
4. economic system or economy
5. business
6. goods
7. services
8. consumer
9. economic resources or factors of production
10. natural resources
11. capital resources or capital
12. human resources or labor

Understanding What You Read Page 10

1. Economics is about producing and making available goods and services to satisfy needs and wants. Economics is concerned with these three things: producing and making available goods and services, earning money to buy goods and services, and choosing from among the goods and services available.

2. In the American economy we depend on businesses to bring us the things we need and want. Some things--particularly services--are supplied by such institutions as hospitals and schools; but we must depend on businesses for most of the things we use in our daily lives.

3. Yes. Businesses which supply goods and services to us are also consumers. A bakery, for example, buys and uses goods supplied by other businesses, such as cash registers, display cases, ovens, flour, sugar, and many other items. Your local, state, and federal governments buy many kinds of goods, from courtroom furniture to street lights.

4. Yes. Pioneer families were self-sufficient when compared with families today, but the things they had were limited mostly to what they could produce in or near their homes. Today families are highly interdependent. The efforts and abilities of many people are needed to produce the great amount and wide variety of goods and services that families need and want today.

5. *Natural resources:* trees, minerals, water, wildlife. *Capital resources:* tools, machinery, factories, buildings, power plants, tractors, typewriters. *Human resources:* labor (men and women who run our farms, mines, and factories; who transport goods; who provide services for others; and who manage businesses).

6. None of the goods we use today could be made without originally starting with one or more raw materials. These raw materials are classified as natural resources.

7. We need to use economic resources carefully because these resources are all limited, while human wants are generally unlimited.

8. In general, our wants are unlimited but our economic resources are limited. Since you probably do not have enough money to buy all the things you might want, it is necessary for you to make economic decisions or choices in buying the things that are most important to you.

9. A person who buys something is casting an economic vote. The person is saying to a business, " I like your product and am willing to pay for it." If enough people buy the product,the business supplying it will produce more of it; if people do not buy, the business will either have to improve the product or stop making it.

10. In order to make wise economic decisions, an educated person should have an understanding of how our economic system is organized and how business operates within that system. In our daily living we are a part of the business and economic world, for all of us use the products and services of business and many of us help produce these goods and services. An understanding of our economic world should help to make us efficient and sensible consumers as well as successful workers and effective producers. Furthermore, such an understanding should enable us to be more intelligent in managing our personal business and financial affairs.

Applying Your Business Knowledge Page 11

1. Goods and services supplied by business for a football team may include: uniforms, cleaning of uniforms, printing admission tickets, first aid supplies, accepting bank deposits, transportation, and telephone service.

For a family car, gasoline, oil, adjustments and repairs, washing, replacing worn parts, parking lot service, and insurance coverage.

For a family pet: food, animal license, veterinarian services, cage, fish bowls, obedience school, collars, and decorations for aquariums.

For a hobby: supplies, membership in hobby club, and subscription to hobby magazine.

2. Answers will vary, depending upon the item selected. All mechanical equipment needs cleaning, oiling, and servicing. Appliances, automobiles, pets, and many other things that people acquire entail added expenses of one kind or other. For example, owning a stereo leads to additional wants such as records, tape decks, tapes, headphones, extension speakers, color organs (special-effects lights), cleaning materials for records and tapes, and record and tape club memberships.

3. Answers will differ according to the community. Types of businesses that sell goods are supermarkets, department stores, dairies, and various kinds of specialty stores such as grocery stores, hardward stores, drugstores, and stationery stores.

Types of businesses that provide services include laundries, dry cleaning establishments, travel bureaus, telephone companies, telephone answering services, and moving and storage companies.

Types of businesses that supply both goods and services are hotels and motels, shoe repair shops, automobile dealers, radio and television repair services, plumbing contractors, and opticians.

4. Some of the services that students may include in their lists are those of bankers, garage mechanics, dry cleaners, appliance repairers, insurance agents, painters, decorators, airline flight crews, and beauticians.

5. Answers will vary. For example, articles of clothing might be composed of wool, cotton, nylon, or many synthetic materials. A tennis racket might be made of wood or aluminum with nylon strings and a leather grip, and be finished with paint and varnish.

1. Students will offer many examples. All products, with rare exceptions, are produced by the use of each of our three basic economic resources. Take a bar of candy, for example. Ingredients include such materials as sugar, nuts, flavoring, and chocolate that originally come from plants and trees that depend on soil, water, and air. Different kinds of capital resources--tools, machines, transportation equipment, buildings--are necessary to convert raw materials into other materials that are finally combined and made into candy bars. Human resources--people--are necessary to plan the production of candy bars and carry through this plan.

2. If any of the resources were not available, there would be a great reduction--possibly an elimination--in the amount of goods and services that would be produced to meet our needs and wants. Without natural resources, life as we know it would not exist. Without capital resources, we would not be able to produce goods and services in large quantities and at low cost. And natural and capital resources would have little value without human resources to use them as both consumers and producers.

3. Wants that are satisfied by government usually are services. Students may list such items as police protection, highways, recreation facilities, schools, national defense, social security, and regulation of business practices. These services are paid for by the various forms of taxes.

PART 2.

PRODUCING GOODS AND SERVICES

Learning Goals

1. List and explain the three basic economic questions that must be answered by every society in producing goods and services for its people.

2. Identify the freedoms and rights that Americans enjoy under capitalism.

3. Be able to defend the tenet that people are entitled to make a profit from their business ventures.

4. Recognize that there are motives in addition to profit for going into business.

5. Accept or reject the statement that competition generally results in better services and more goods at lower prices.

6. Compare capitalism, socialism, and communism in reference to the ownership and management of each system's economic resources.

Suggested Teaching Procedures

1. Compare the freedoms we enjoy with those under other economic systems. Have students ask friends and relatives who have lived overseas about the freedoms they had and did not have. Invite a qualified person to discuss conditions of living in countries where freedoms are restricted.

Perhaps it would be possible to have a small group (two or three students) prepare a tape recording by an immigrant or a foreign student from a country with a different economic system from ours. Arrangements should be carefully made in advance to prepare questions that will bring out the similarities and differences in economic freedoms and opportunities that exist in the country with which we are being compared. Assurances should also be made that the identity of the person interviewed would not be revealed without permission. Alternate recordings could be made with business people, government officials, or military personnel who have lived at least for a short time in other countries. The playing of such recordings in the classroom could have an impressive impact on the students.

2. By responding to all the *Understanding What You Read* questions on page 21, students should gain a better

understanding of the characteristics of capitalism, socialism, and communism. Call on several students to respond orally to question 10, explaining through specific examples why it is appropriate to think of our system as modified capitalism instead of capitalism. The questions and statements on page 7 of the workbook may be used to clarify further the differences among the three major economic systems.

3. The *Applying Your Business Knowledge* activities in this part provide for a wide variety of response possibilities. Note in particular activities 2, 3, and 6. After students have been given an opportunity to work on these activities, it is suggested that three or four different students be asked to react to activity 2, followed by another three or four to react to activity 3, and likewise for activity 6.

Transparency Master 2-1 can be used advantageously with the introductory treatment on profit and the profit motive. Transparency Master 2-2 can serve as the basis for a discussion of competition among businesses and how it affects economic decisions by consumers.

4. *Enriching Your Business Understanding* activities 2 and 3 are good extra-credit projects. Selected students may be asked to give answers verbally to the class covering activity 4.

5. Twice monthly The Conference Board publishes timely and attractive 8½ x 11 charts related to business and economic conditions and trends. These are called "Road Maps of Industry" and are a most valuable resource for the general business teacher. Many of these chargs will add interest and meaning to topics that will be treated in general business classes during the year. Explain how you might use such charts and ask how you may be placed on the complimentary mailing list for a classroom copy of each chart as it is released. Write directly to Supervisor, Road Map Education Program, The Conference Board, 845 Third Avenue, Ner York, NY 10022.

Other sources for graphic material on business affairs are current magazines. These include *Business Week*, *Fortune*, *U. S. News and World Report*, and a number of others.

6. Filmstrips: "Our Free Enterprise System."
Fulton Center - 228-8046.

7. Field trip to a manufacturing business. For example,
EBCO Manufacturing Company, 265 N. Hamilton - 861-1350.

Improving Your Business Vocabulary Page 20

1. capitalism
2. private property
3. private enterprise
4. profit
5. profit motive
6. competition
7. socialism
8. communism

Understanding What You Read Page 21

1. The three basic economic questions that face every society are:

   (1) What goods and services should be produced?
   (2) How should goods and services be produced?
   (3) For whom should goods and services be produced?

2. In our economic system, the share of goods and services that you are able to have is largely determined by the amount of money you have to spend. The amount of money you receive in wages is affected by many factors, including your abilities and how you use them.

3. In the system of capitalism, capital resources are mostly owned and managed by individuals rather than by government.

4. Business owners are entitled to profits because they run the risk of losing the money they have invested in their business and because extra work goes with owning a business.

5. Aside from the profit motive, people might want to operate their own businesses for their personal satisfaction and pride or because they get pleasure from producing goods and services which make other people's lives happier.

6. Some other economic rights include: the right to buy where and what you please; the right to choose what you will do for a living; the right as a worker to organize with other workers; the right to travel when and where you please; and the right to express your opinions.

7. Several ways in which consumers may benefit from competition among businesses are lower prices, higher quality, improved services, and new products.

8. In the system of socialism, the people decide by voting the extent of government ownership and control.
9. People are free to buy whatever goods and services are offered for sale in communist countries, but the supply of many products is determined by the government.
10. Under "pure" capitalism all enterprises would be privately owned and operated but capitalism does not exist in its pure form in any country. In the United States there is some government regulation of business. Our government also owns and operates schools, highways, airports, fire departments, recreation parks, and other enterprises. Since our system is not pure capitalism, it if often called modified or mixed capitalism.

Applying Your Business Knowledge Page 21

1. Under *socialism* and *capitalism* the people--and to some extent the government--decide what should be produced. Within the limits of their income, people are free to buy or not to buy whatever is available for sale. If people buy great amounts of certain goods and services, the demand for these things will lead to their continued or increased production. If people do not buy certain goods and services, the production of these items will be reduced or stopped. Through its sizeable purchases, the government also helps decide what should be produced or not produced. Under *communism*, the government makes most of the decisions as to what will or will not be produced. Pressure from the people, however, may influence the government in making some of its decisions in producing consumer goods.
2. Disagree. Some nations have natural resources comparable to ours, yet our style of living is higher because of the economic system under which we live. We enjoy many individual freedoms, which stimulate us to use our initiative and talents to the utmost. Our willingness to invest in business enterprises and to assume economic risks, our spirit of competition, and our emphasis on education are among the factors that contribute to the success of our economic system.
3. Answers will differ with the rights chosen by each student. In general, the effect of loss of the rights may be the opposite of the benefits described on page 17 of the textbook.
4. With our freedom to own and use property, we have the responsibility to see that we do not interfere with the freedom and welfare of others. If we own an automobile, we must operate and maintain it so it will not harm others. If we own a vacant lot, we may be required to keep it free of unsightly refuse or cleared of dry brush that may cause fires and endanger surrounding property. On residential property we may not be permitted to construct an industrial plant.

On certain avenues we may not be allowed to drive heavy trucks. We may be required to sell certain property to the government for the construction of schools, highways, reservoirs, or for other public purposes. Through voting and by electing public officials, we as citizens indirectly decide what restrictions shall be imposed. Restrictions on the use of property are generally imposed to protect the rights of others and to promote the general welfare of all.

5. In order to protect the public from unqualified individuals who might represent themselves as qualified specialists, licenses are required in certain professions or occupations. These licenses are granted to those who pass examinations or meet other requirements. This restriction applies to such workers as lawyers, doctors, dentists, nurses, teachers, barbers, etc. Bus drivers, airline pilots, and many others who deal with the public may also be required to pass performance tests or health examinations to meet other standards.

6. Government regulations attempt to prevent competition that is unfair to business as well as to consumers; but it is difficult, if not impossible, for our various government agencies to control all business practices that may be questionable. So-called "cutthroat competition" and "price wars," for example, may result in higher prices and fewer choices for consumers. In cutthroat competition strong firms will sell their products for less than the cost of production, knowing that their competitors will have to reduce prices in order to get business. No company makes profits under such conditions. Weak companies will be forced out of business because they will not be able to sustain losses for as long as their larger or stronger competitors. When the price war is over, only the strong firms will remain and they then can raise prices higher than before in order to regain their losses and to earn higher-than-ever profits.

Also, because of intense rivalry to sell certain products, some producers may spend unusually large amounts of money to advertise and promote their products. These expenses, when added to the cost of marketing such products, might result in prices higher than would be charged if competition were not so keen. It is possible, too, that in their zeal to sell their products, some businesses will make exaggerated and misleading claims in a highly competitive market. Consumers may be thus persuaded to buy products that are not what they are represented to be.

Enriching Your Business Understanding Page 23

1. If all prices for hair dryers, or any other item, were the same, stores could still compete on the basis of credit available, pleasant store surroundings, convenient location, variety of other merchandise available, competitive prices of other merchandise available, many salespeople available for customer assistance, and other bases.

2. Responses to interviews will vary greatly. Ask students to plan for their interviews by noting what questions to ask and how to organize and record information obtained. Stress tact and courtesy in conducting interviews.

3. The oral reports will vary considerably. Ask students to organize carefully their materials before presenting reports to the class. Estimate a time limit for each talk and allow some time for questions from members of the class.

4. *Laissez faire* is a French expression meaning "let alone." When applied to a way of life it means letting people do as they please, with particular emphasis on noninterference in matters of economics and business. Under laissez faire, the owners of business and industry fix the rules of competition, the conditions of labor, and decide on other practices without government regulation or control. Extreme or pure capitalism is based on a laissez faire theory; that is, private ownership and management of capital resources without government interference. But capitalism today accepts and expects government assistance and government regulation in varying degrees as decided by the citizens of a nation.

In earlier times (18th and 19th centuries) many workers were exploited under laissez faire capitalism. Hours were long, wages were low, working conditions were poor, housing was inadequate, and education was lacking. In the United States today we live in a highly interdependent, technical, and scientific environment. It is necessary to have some government participation in our economic life if our system is to operate efficiently and fairly and if it is to provide benefits (health protection, retirement security, safety, education) for the people as a whole. It is indeed doubtful that adopting laissez faire principles would improve our economic system.

PART 3

CHECKING ECONOMIC PROGRESS

Learning Goals

1. Understand the meaning and appreciate the importance of GNP as a way to measure economic growth.

2. Distinguish between *per capita output* and *output per man-hour*.

3. Realize that our life-styles depend on more than an abundance of goods and services.

4. Understand how our economic development is influenced by the growth and composition of our population.

5. Know that our economic system works very effectively but that it has shortcomings that we should strive to correct.

Suggested Teaching Procedures

1. Special emphasis should be given to reviewing the vocabulary building studies in the three parts of this unit. Many--perhaps most--of the terms are new to young students. These are modern expressions that deal with basic business and economic ideas. It is justifiable to devote some extra time to help students master the meaning of these terms. A common way to expand one's vocabulary is to spell and define new words and then use them as frequently as possible in written and oral discussions.

A novel and unusual vocabulary-building method--perhaps fruitful for one of those hard-to-handle sessions sometimes faced on Fridays--is to play charades; that is, to have students "act out" selected words. (*Charade:* a game in which the players are typically divided into teams, members of which alternately act out in pantomime a word or phrase, often syllable by syllable. While members of one team are acting, members of the other team must guess what is being represented.) Such expressions as the following are suitable for a charade activity: natural resources, capitalism, private enterprise, profit, competition, socialism, communism, gross national product, style of living, and output per man-hour.

Another approach is to identify a few students who might be particularly adept and interested in constructing a crossword puzzle. Invite these students to use business and economic terms in devising a crossword puzzle that could be used by the general business classes in your school. (Incidentally, when students are mainly responsible for a chart, graph, puzzle, or other written or pictorial material, give these deserving students recognition by identifying their contributions with names or initials.)

2. "Life-style" is an expression that is difficult to define. One of the reasons for this difficulty is that different people have different feelings, different desires, and different values in describing what they consider to be a good style of living or life-style. Carefully directed class discussion should help students to realize that factors other than high incomes and great amounts of material goods and personal services are also important in estimating one's life-style.

Activity 5 on page 32 can be used in connection with the example above.

3. Encourage students, either individually or in small groups, to prepare visual aids (picture charts, photographic presentations, sketches, exhibits, etc.) tracing the improvements that manufacturers have made in a particular product since the time it was introducted to the market. Suggested examples of products that might be used are automobiles, airplanes, television sets, refrigerators, telephones, and typewriters. The home economics teachers in your school and the students' parents might be able to suggest kitchen utensils or other household items that would reveal great changes in design, construction, and utility over the past several decades. (Think, for instance, of the considerable improvements made in can openers--from a small hand tool to the streamlined electric model.)

Pictures of early models of products may be obtained from promotional literature available from different manufacturers. Sketches or copies might be made from advertisements in old magazines and newspapers. It may be possible to borrow from people and organizations items of old vintage that can be compared with similar products today. Special exhibits of antique-to-modern equipment might be arranged. The telephone company and major office equipment or typewriter companies might assist in planning an historical exhibit of the products they handle. Such exhibits are likely to include expensive and relatively rare items, so extreme caution would have to be taken to safeguard anything on loan. Some of the better projects might be displayed in the library or other prominent place in school so that other students and other teachers might learn about the kinds of interesting activities that are carried on in general business.

4. Use the content on page 30 of the textbook as the starting point for involving the students in a discussion on how all of us--especially the students--can help make the United States a better place in which to live in the future.

5. Refer to *Applying Your Business Knowledge* activity 6. Arrange for a panel of five students to give their predictions to the class as to what life will be like in the year 2000. (Ask members of the panel, however, to do some advance reading and consulting before talking to the class.)

6. Transparency Master 3-1 can be used in a discussion of life-styles. Transparency Master 3-2 goes beyond the text's discussion of gross national product to show population and GNP comparison figures for the world. Students might be interested in the contrast between the two pie graphs.

7. Movie "Why Do You Buy?" covers values and decision-making. From School A-V Library, Starling Building.

8. Refer to p. 52 of "Age of Adaptation" for additional suggestions.

9. Prepare a "time capsule" of ideas, suggestions from students. At the end of the year request students respond to some question. Open capsule, compare answers.

10. Request information or speaker from: City of Columbus Development Department - 461-5763 or Ohio Department of Economic and Community Development 466-2317.

Achievement Test 1 should be administered after the students have completed Unit 1. (Give students some advice on how to prepare for this test. Prior to this first test, give the students an idea of the kinds of objective questions that will be included. It would be helpful to write on the board the sample questions that appear in Test 1.)

PART 3

CHECKING ECONOMIC PROGRESS

Improving Your Business Vocabulary Page 31

1. gross national product or GNP
2. per capita output
3. output per man-hour or productivity
4. life-style

Understanding What You Read Page 31

1. The United States has only about 7 percent of the world's land and about 5.5 percent of the world's population, but its output accounts for about 33 percent of the goods and services produced in the world.

2. The statement means that by comparing GNP (total value of goods and services produced by a country) from year to year, it is possible to get an indication of how well our economic system is working. If GNP increases from year to year, this is a good sign that our economy is growing.

   There should be general agreement on this concept. However, stated increases in GNP could be misleading. For example, if there was a great increase in prices (inflation) during a particular year, this would mean that the total money value of GNP would be higher even though there might not be an increase in the actual amount or quantity of goods and services. Also, great increases in population could mean that each person would, on the average, receive fewer goods and services despite the fact that nationally there was a reported increase in GNP.

3. No. GNP also includes what businesses spend for buildings, equipment, and supplies. It also includes what government agencies spend to pay employees and to buy supplies.

4. If prices of goods and services remain exactly the same over a long period of time, it would be fair and accurate to compare a country's GNP from year to year at current prices. However, in reality this has not happened; so the GNP must be adjusted to be compared.

5. Current prices are the prices actually paid for goods and services. Adjusted prices are prices held constant

to their value on a certain date. Prices may be adjusted for purposes of computing comparisons of output over a period of time.

6. If the GNP remains constant while the population increases by 10 percent, there has been a decrease in the per capita output. This is an indicator of economic decline, not growth.

7. Increased productivity has affected the well-being of workers by making it possible to reduce the number of hours in a work week and to raise employees' wages.

8. Yes, of course. Some people in our country--not to mention the millions throughout the world--still do not have enough food, proper housing, and medical care. We need to develop ways and means to satisfy the basic human needs of all our citizens. Other economic problems that should be of concern to us include: reduction and elimination of pollution of our air and water; conservation of natural resources; safer highways and safer automobiles; improvement of working conditions in some industries; improvement and extension of educational opportunities; and promotion of peace among nations so that most of the billions spent for military purposes can be used for the improvement of human living. (Students, if encouraged, should be able to contribute many other positive suggestions.)

Applying Your Business Knowledge Page 32

1. An increase in the GNP does not necessarily indicate an increase in the amount of goods and services produced. The GNP must be adjusted to constant prices to serve as an accurate indicator of economic output.

2. Students' lists will vary. Any work performed for pay by any member of the family contributes to the GNP.

3. No, not unless Country B had the same population as Country A, which would be an unlikely happening. Per capita output is determined by dividing the GNP by the total population. If, in the example, Country B had twice the population of Country A, the per capita output would be about the same in both countries. But in order for Country B to have twice the per capita output of Country A, the population would have to be the same in both countries. (Ask a student to volunteer to explain this question arithmetically on the chalkboard.)

4. A continual increase in the GNP is important to all of us. Our GNP should increase at least in a ratio proportionate with our increase in population. But as people work more efficiently by using automated equipment and improved methods of production, the GNP should increase at a rate faster than our increase in population. An increase in our GNP means more and better goods and services for all of us, and it means jobs for more people. A substantial decrease in our GNP conversely means unemployment and a lower level of living.

5. A wide range of items will be presented, but the various students' lists may include some of the following: comfortable and pleasant living accommodations; proper medical care; at least one good family automobile or a sports car; modern and attractive clothing; interesting vacations; advanced education and perhaps specialized training; time for leisure; a rewarding and satisfying job; essential and helpful services from local, state, and national governments; excellence in and enjoyment from one or more sports (golf, tennis, badminton, baseball).

6. Most students will no doubt answer clearly in the affirmative. Rapid changes are occurring in our economy because of increased expenditures for research and development conducted by both business and government. Space travel, a clean environment, the elimination of poverty, the control of diseases, the abatement of wars, and the continued advancement of technology are some of the things that may characterize the world of tomorrow.

Enriching Your Business Understanding Page 34

1. Although the services of housewives and other things we do without pay are important to ourselves and our company, their value is extremely difficult to measure. Therefore, they are not included in the GNP.

2. News magazines should be a good source of articles which mention the gross national product. Students might make a poster or bulletin board display of their articles.

3. If we were to describe the GNP by listing the kinds and amounts of things produced, we would have a very long list and it would be impossible to compare the GNP from year to year. Measuring the GNP in dollars makes a convenient total figure.

4. All the items listed, *except* those noted below, should be counted as part of our GNP.
   (d) Tires--No. The final product will be the motorcycle.
   (f) Paper--No. The book will be the final product.
   (j) Soap-- No. The finished laundry is the final product.
   (k) Peaches--No. In this case, canning is the final stage of this product.

UNIT 2

HOW BUSINESS SERVES THE ECONOMY

The place of the institution of business in the total economic scene is brought into perspective through Unit 2. The content and student activities of the first three parts comprising this unit show how businesses serve people and their communitites and how businesses are organized and operated within the framework of our American economic system.

In Part 4, "What Businesses Do," emphasis is placed on the production and distribution phases of our business world. The range of activities in which business firms engage is outlined. The point is developed that businesses have a right to make reasonable profits because of the risks they face, which are often unpredictable and uncontrollable. The economic effect of the multiplier principle--an important concept that some people might presume to be too sophisticated for general business--is clearly presented in prose and graphic form.

The ways businesses are organized are described in Part 5 through a story-example of an individual owning a business, then taking in a partner, and finally forming a corporation. This approach, which has been used previously, proved so popular among teachers that it has been updated and modified for this edition. Cooperatives are also presented in this part as another form of business ownership.

"Automating Business Activities," Part 6, reviews the contributions of modern technology, specialization of labor, and automated equipment in today's businesses. Some attention is given to the language of the computer and simple flowcharting is introduced; but purposely no attempt has been made to present an involved discussion of the complex and changing procedures in processing data by computers. To show that everyone is affected by computer technology, examples of the uses of computers in business and government are given.

The final part, "Measuring with Metric," illustrates one of the many adjustments which businesses must make as the economy changes to accommodate world-oriented marketing. As business changes, so must consumers. Part 7 leads the student in simple steps from an understanding of basic metric units to the transition from one system to the other.

Through the study of Units 1 and 2 the student is treated to an overview of the business and economic environment. With this background, the student is now better prepared to look at the world of work.

The objectives of Unit 2 are to:

1. Understand that all businesses supply or help to supply goods and services to satisfy our wants and needs.
2. Appreciate the fact that businesses are entitled to reasonable profits and that they can suffer losses as well as earn profits.
3. Realize that new businesses can be of economic benefit in several ways to a community.
4. Know the distinguishing features of the various forms of business ownership.
5. Understand how the use of power-driven machinery and automated equipment has tremendously increased the capacity to produce goods and services.
6. Appreciate the progress that has been made through our economic system in raising the levels of living of the American people.
7. Understand the reasons for changing to the metric system and develop an ability to use metric measurements.

UNIT 4

WHAT BUSINESSES DO

Learning Goals

1. Realize that most of the goods and services we use are supplied to us by business.

2. Perceive the differences among these basic kinds of businesses: extractors, manufacturers, marketing businesses, and service business.

3. Describe seven different kinds of activities or functions that are performed by most business enterprises.

4. Be able to defend the assertion that businesses are entitled to profits.

5. Demonstrate the difference between gross profit and net profit.

6. Dispel the impression that most businesses make huge profits on their sales.

7. Describe several benefits that come to a community as a result of new or expanded business activity.

Suggested Teaching Procedures

1. After students have studied the content on pages 37 through 44, the teacher may wish to use the exercise at the top of page 15 in the workbook as a quick, open-book, self-testing experience. After answers have been checked, discussed, and clarified (but not necessarily graded or recorded), students should then be better prepared to respond to *Understanding What You Read* and *Applying Your Business Knowledge* on pages 45 and 46 of the textbook.

2. Special effort should be made at this early stage of the general business course to help students develop a rational outlook in reference to the profit motive characteristic of our private enterprise system. In order to assess the contributions that businesses make to our society, we need to be objective and dispassionate in studying business operations. Among other points, students need to know there is a significant difference between gross profit and net profit, that competition and consumer buying habits tend to keep the profit percentages at reasonable and generally minimal levels, and that all businesses do not succeed--unfortunately thousands fail year after year. Questions 7 and 8 of *Understanding What You Read* and activities 2 and 3 of *Applying Your Business Knowledge* are good starting questions regarding this matter.

In the discussion of profit, use Transparency Masters 4-2 to illustrate the fact that the business must wait some time after an investment before a profit is realized on a new product. Note, too, that as sales decline, losses may occur. The profit margin must be sufficient to cover the investment, the declining period, and a reasonable return for the investor.

3. The multiplier effect described on pages 42-43 is a very important economic concept. It demonstrates further the fact that general business can contribute much to the economic education of every student. Organize a discussion on what your local community does to attract new firms or to encourage established firms to stay and expand. A student committee could invite a representative of the Chamber of Commerce to speak on this subject. Ask students whose parents are in business to find out what the community is doing to keep business in town. Activity 5 of *Applying Your Business Knowledge*, page 46, could be used to launch this discussion.

It might also be noted at this point that some people object when large businesses come into their localities. The objections frequently are for ecological reasons. *Enriching Your Business Understanding* activity 2 on page 48 will give the students an opportunity to consider this problem.

During or after the discussion of the multiplier effect, ask students to respond to Supplementary Activity A, page 16 of the *Activities and Projects*. This treats the problems of the multiplier effect working in reverse.

4. Ask all students to complete the first three *Solving Business Problems*, which are concerned with the calculation of profit. The meaning of *cost of goods sold* should be discussed ahead of time. Through the solution of these problems the student learns that any business venture involves costs and expenses. It should be pointed out that unless costs and expenses are carefully controlled, losses may result.

Problems 1 and 5 involve the use of percents. These problems are not difficult, but some students may have developed a fear of the percent concept. If the teacher will carefully review and explain the meaning of percent, the student should experience little or no difficulty. Problem 4 calls for simple computations and calls attention to commercial fishing as a major extracting business. Extracting food from the sea, it has been suggested, will become increasingly important as nations look for new or expanded food sources. This concept may be brought out as the students work on problem 4. Translating dollar value from abbreviated to full terms will increase the students' facility with numbers.

5. The *Enriching Your Business Understanding* activities again have been designed especially to challenge the more motivated and creative students. For activity 2 some students may wish to prepare posters,

exhibits, or bulletin board displays showing advertisements from metropolitan newspapers and business magazines.

For *Enriching Your Business Understanding* activity 5, the teacher may wish to call the nearest office of Dun and Bradstreet to obtain information on business failures. If this is not convenient, the teacher may prefer to ask for a copy of the latest edition of "The Failure Record" by writing to the Business Library Department, Dun and Bradstreet Inc., P. O. Box 803, Church Street Station, New York, NY 10008. Students may also be directed to locate vacant business establishments and attempt to find out why they moved or went out of business.

6. Supplementary Activities B and C on pages 19 and 20 of the workbook introduce the student to graphical presentation of data. Activity C is admittedly a very simple exercise, but it is intended to help the student understand the uses of two arrangements of listed statistical data. The questions introduce the need for learning to interpret accurately the data from the graphical presentations. In Supplementary Activity C the student is asked to translate data presented in chart form to a simple bar graph. Again, two ways to present data are shown.

7. Transparency Master 4-1 can be used to further develop the discussion of the kinds of businesses on pages 37-38 of the text. Note the numbers of businesses between the extractor and the customer; you will want to refer to this again in Part II.

8. Filmstrip: "The Nature of Business", record or cassette. Fulton Center, 228-8046. This can be used with Part 5, also.

PART 4

WHAT BUSINESSES DO

Improving Your Business Vocabulary Page 45

1. extractor
2. manufacturer
3. marketing or distribution
4. service business
5. gross profit or margin
6. net profit

Understanding What You Read Page 45

1. All businesses supply or help to supply goods and services to satisfy our wants and needs.

2. Extracted products such as crabs from the sea or carrots from the earth are ready for the consumer in their natural state.

3. An extractor grows products or takes raw materials from nature; a manufacturer takes the extractor's products or raw materials and changes them into a form that consumers can use.

4. Marketing adds value to products by bringing them to where the consumer is, at the time they are wanted, in the assortment wanted, and at prices the consumer is willing to pay.

5. Service businesses are growing rapidly because people have more leisure time and more money to spend and are willing to pay to have services performed for them.

6. Most businesses (1) buy goods and services; (2) sell goods and services; (3) store goods; (4) handle money and keep records; (5) extend credit to customers; (6) provide services to customers; and (7) package and divide goods for sale.

7. Business owners are entitled to profits because of the risk they take in investing their money and because of the extra work and responsibilities that go with ownership and management.

8. Gross profit is the difference between the cost price and selling price of an article. Net price is what is left of gross profit after all expenses have been paid.

9. The workers in a new firm spend their new incomes for goods and services at various businesses in the community. These businesses in turn buy more products and services from their suppliers, who also spend more. As the process continues, new jobs are created by the new

economic activity. The original money spent by the workers in the new business, therefore, has multiplied.

10. Students may cite such contributions as (1) training unskilled workers; (2) helping people from minority groups set up or manage their businesses; (3) assisting schools; (4) contributing to charities and civic and cultural projects; (5) donating land for parks and recreational areas.

Applying Your Business Knowledge Page 45

1. Daniel Mathews can assume various roles in the business of dairy farming.

(a) As an extractor, he raises cows and takes milk from them.
(b) As an extractor and a marketer, he gets the milk from the cows and delivers it in bulk to a dairy for pasteurization and other processing.
(c) As an extractor and a manufacturer, he obtains the milk directly from his cows and then he himself pasteurizes it or further converts it into whipping cream, butter, or perhaps cottage cheese.
(d) As an extractor, manufacturer, and marketer, he milks the cows, converts the milk into salable (pasteurized) form or into butter or other dairy products, and then delivers these products to wholesalers or retailers or possibly directly to consumers on delivery routes.

2. No. Gross profit is the difference between the selling price and the cost price of a product, and net profit is what is left after expenses have been paid in the process of handling and selling the product. If the expenses--amounts paid for salaries, rent, supplies, taxes, and many other costs--are greater than the gross profit, then the business would have a loss rather than a net profit.

3. No. The assumption is not fair. Most businesses do not make the huge profits that some people suppose. Competition with other businesses helps keep prices and profits down to a reasonable figure. On the average, various industries show a profit of about 4.3% of sales. In the food industry the profit, after taxes, is only 2.5% of sales. (See Illustration 4-2, page 41.) The final profit on an item is what is left after all expenses have been paid. If a business owner is not careful, expenses could be so great as to result in a loss instead of a profit on what is sold.

4. Answers will vary. Examples are:

(a) Goods for resale: flowers, ribbon, vases, shells.
(b) Goods for use in store: stationery, light bulbs, display counters.

(c) Services to customers: free parking, delivery, a lounge, free enclosure cards.
(d) Services she might buy: custodial service, security guards, telephone, linen supply.

5. Students may cite such benefits as (1) 250 new jobs in the new business; (2) other jobs created by the money spent by the 250 new workers and the new business; (3) new households created; (4) more tax money for city services; (5) new leaders to help in civic, cultural, and charitable projects.

Enriching Your Business Understanding Page 48

1. (a) Answers will vary. Availability of skilled workers would be among the most important, for many businesses could not operate without them. Items in current news might influence responses; e.g. public concern over high utility costs might be listed among the most important issues.
(b) Yes. A manufacturing business which uses large amounts of water in its production would be more concerned with the water supply than a retail business which may need water only for drinking purposes.
(c) Many cities do. In addition to the Chamber of Commerce, some cities have economic development councils which concentrate on bringing in new businesses. Metropolitan newspapers and business periodicals often carry such advertising.

2. Students might pose such problems as (1) increased need for safety precautions in the manufacture of electronic products, depending upon the type; (2) if the city is crowded already, adding more people might increase housing problems; (3) more people usually means more cars and more pollution. Many cities feel that the advantages outweigh the disadvantages; whether the student agrees will involve a value judgment.

3. The oral reports will vary considerably. Ask students to organize carefully their materials before presenting reports to the class; estimate a time limit for each talk; allow some time for questions from members of the class.

4. A variety of responses would be acceptable. Among them would be: (1) wages are higher and more people can afford to pay for services; (2) as the work week is shortened leisure time is increased; among the leisure time activities are many services such as entertainment, recreation, health clubs, travel; and (3) more women are working and have less time for household work.

5. When a business leaves a community, consumers who used its products or services may find them no longer available or available at higher costs because they must be transported in. Workers would lose

their jobs and income; or they may have to move away with the company or to other cities where jobs are available. Other businesses would soon feel the loss because they would lose customers whose incomes were cut off or who moved away; some businesses may fail as a result. Finally, the local government would lose tax income and may incur additional welfare and unemplyment costs.

PART 5

ORGANIZING FOR BUSINESS

Learning Goals

1. Describe the distinguishing features of a sole proprietorship, a partnership, a corporation, and a cooperative form of business organization.

2. Know the advantages and disadvantages of the various types of business ownership.

3. Realize that large-scale businesses may be owned by thousands and even millions of different stockholders.

4. Differentiate between a consumers' cooperative and a producers' cooperative.

5. Understand that many government units and nonprofit groups are organized as corporations in order to be more effective and efficient in providing services for people.

6. Define and use such business and financial terms as *articles of partnership, board of directors, dividend, and stockholder.*

Suggested Teaching Procedures

1. The students' interest in this part may be stimulated by using local businesses as examples of sole proprietorships, partnerships, corporations, and cooperatives. From the illustrations obtained locally, students should be able to make comparisons among the sizes of different businesses in each of these classifications and to draw some conclusions about the circumstances under which each of the types of organizations is desirable.

2. If possible, a stock certificate may be brought to class so that the students can see it and can read and discuss the information given on it.

3. Emphasis upon the services of cooperatives will depend somewhat upon the community and the extent to which cooperatives serve that community. All students, however, should have some understanding of the nature of cooperatives even though such organizations are not active in their particular community.

Students may form a class consumer cooperative for a one-time purchase of some product on which they can get a reduced price for a quantity purchase and share the savings. The teacher or a committee might go to a wholesale food dealer, for example, and inquire about the cost of such products as pizza mix or candy bars by the case. Students who wish to join the cooperative may buy the product at a price below retail but including a small markup for handling expenses. Remaining products might be sold to nonmembers. Any profit could be returned to members on a basis prorated to the number of products each bought. A followup discussion should help the students further differentiate the cooperative from other types of business organization.

4. A committee of students may prepare a chart listing the features of the four most common forms of business organizations. Arrangements should be made for students to refer to modern economics textbooks and booklets in the library and to obtain suggestions from business people and other business teachers. This chart should be large enough to serve as a visual aid for general business classes, and it should carry the names of the students who prepare it.

5. Invite a graduate of the high school who is in a management position or who may own a small business enterprise to discuss problems of operating a business. Ask also for this person's judgment on how to prepare for and how to succeed in a business career.

6. The true-false and yes-no sections on page 21 of the workbook may be used as pretests for Page 5 or for oral questioning in class. Ask all students to respone to the *Can You Identify These Types of Business Ownership?* situations on page 22. Supplementary Activity C on page 26 of the workbook can be advantagously used as an open-book quiz to check on the students' understanding of how businesses are organized.

7. All students should be held responsible for all the *Applying Your Business Knowledge* activities. Students may be asked to be prepared to discuss these exercises in class, and perhaps with the understanding that one or two will be selected for a written essay test.

8. Since it is based on the story-example in the text, *Solving Business Problems* problem 3 should be completed by all students. The other five may be divided among members of the class, each student solving one; all problems then might be explained on the board by designated students. The solutions to these problems should be discussed in class to clarify the financial procedures involved. In addition to chalkboard explanations, the teacher may also wish to use transparencies made from pages 23 to 25 of the teacher's edition of the workbook.

9. Supplementary Activity A is designed to further the student's ability to read and interpret statistical data, a basic economic tool. The student is called upon to answer questions about cooperatives from data in a table.

10. In many communities students are well aware of franchise businesses. Supplementary Activity B may serve as a good introduction to this since the students will be listing businesses which are familiar to their age

group. As time permits, teachers may want to give added emphasis to the topic of franchises. *Enriching Your Business Understanding* activity 5 on page 63 of the textbook could serve as a followup to Supplementary Activity B. The teacher might invite a successful franchisee to visit the class to explain in detail how the franchise was obtained and what limitations and freedoms apply to conducting a franchise business.

11. If Junior Achievement companies are in operation locally, general business teachers can well justify giving special consideration to *Enriching Your Business Understanding* activity 6 on page 64 of the textbook. Junior Achievement is a nationwide learn-by-doing program in which high school students have an opportunity to establish their own small-scale businesses under the guidance of advisers who hold responsible jobs in business and industry. Some of the students in the general business classes in your school may be interested in and eligible for participation in this program. The study of *General Business for Economic Understanding,* particularly Unit 2, will be of direct value to students who may have opportunities--now or next year--to organize and manage a Junior Achievement enterprise.

It is suggested that two or three selected students in your school who are or have been active in Junior Achievement be invited to tell of their experiences and to describe the J. A. organization as they see it from a student point of view. In addition, a local J. A. official or one of the J. A. company advisers might be asked to appear before the class.

Teachers should write in advance to the national or regional office of Junior Achievement for available information, including such booklets as *Junior Achievement--What's it all about?* and *Junior Achievement Company Manual*. The national headquarters is: Junior Achievement, 550 Summer Street, Stamford, CT 06901. Regional offices of Junior Achievement are located as follows:

Eastern Region I
998 Farmington Avenue
West Hartford, CT 06107

Central Region II
19630 Center Ridge Road
Rocky River, OH 44116

Midwest Region III
5 American Industrial Drive
Maryland Heights, MO 63043

Western Region IV
2722 Eastlake Avenue, E.
Suite 250
Seattle, WA 98102

Southern Region V
(3581 Main Street)
P. O. Box 320
College Park, GA 30337

12. Transparency Masters 5-1 and 5-2 show the advantages and disadvantages of the three major types of business ownership. They will be effective for reviewing pages 49-56 of the text. They will help check and clarify students' responses to *Understanding What You Read* questions 3 and 5 on page 59.

13. Conduct a short discussion of the Bill of Rights, emphasizing the protection of the individual. Then list the characteristics and discuss what they mean. Divide the class into groups in order to write a Bill of Rights for American business. Have each group report its results to the class.

PART 5

ORGANIZING FOR BUSINESS

Improving Your Business Vocabulary — Page 58

1. sole proprietorship
2. partnership
3. corporation
4. certificate of incorporation
5. stockholder or shareholder
6. articles of partnership
7. board of directors
8. dividend
9. cooperative
10. consumers' cooperative
11. producers' cooperative
12. municipal corporation

Understanding What You Read — Page 59

1. The size and nature of the business are the key factors.

2. Tom Mahoney wanted to earn profits for himself and be his own boss.

3. Mahoney's one-owner business caused him to work long hours, make decisions alone, and perform all of the variety of jobs in the business with the help of only his wife for recordkeeping and a part-time worker for sales.

4. Among the items the articles of partnership should include are: (1) the name of the firm; (2) the amount of each partner's investment; (3) the salary of each partner; (4) provision for sharing profits and losses; (5) the responsibility each partner will have in the business; and (6) provision for dissolution of the business.

5. Some advantages of a corporation over a partnership are: (1) limited liability of owners; (2) ease of increasing capital; (3) ease of employing specialized management; (4) ease of expansion; and (5) ownership can change without affecting the business.

6. Mahoney and Rubin received shares of stock as evidence of ownership.

7. Stockholders elect the board of directors.

8. The executive officers manage a corporation.

9. Part of the profits were retained in the business for expansion.

10. A consumers' cooperative enables consumers to buy goods and services more cheaply together than each member could individually.

11. A producers' cooperative helps its members market their products. It may also operate processing plants for members. It provides greater bargaining power to small farmers in selling their products than each would have individually.

12. A cooperative differs from a regular corporation in the way it is controlled. In a regular corporation, a person usually has one vote for each share owned. In a cooperative, each member-owner may have one vote; or each member's vote must be based on the amount of service that member has received from the cooperative.

13. A municipal corporation is organized to provide service to its citizens with money from their taxes, such as schools, police and fire protection, and street maintenance.

Applying Your Business Knowledge Page 60

1. (a) sole proprietorship
   (b) partnership
   (c) corporation
   (d) sole proprietorship
   (e) partnership and cooperative
   (f) corporation and cooperative
   (g) producers' cooperative
   (h) partnership and corporation
   (i) partnership--new articles of partnership would be needed
   cooperative--would have one vote on business matters, or a vote in proportion to his use of the services.
   corporation--one vote per share; large number of shares would make owner influential in electing board or in other business matters put to stockholders.
   (j) cooperative

2. (a) agriculture
   (b) agriculture
   (c) finance, insurance, and real estate
   (d) trade
   (e) mining

3. Yes. If a single stockholder owned 51% of the stock, that stockholder could control the policies and management of a large corporation. Often an individual or a group owning much less than 51% of the stock can completely control a corporation. Some of the other stockholders are likely to vote with them, and some may not bother to vote at all.

4. It would be an unworkable scheme to attempt to operate a business with as many partners as there are stockholders in most corporations.

In the first place, the fact that one partner would be responsible for the acts of all partners would quickly present an impossible situation. Furthermore, chaos would result with so many owners having a direct voice in the management and operation of the business.

5. Mr. Reid will probably have to pay all the debts in excess of the value of the business, for when a partnership fails each partner is personally responsible for the debts of the business. Of course, in this case each partner should bear $4,000 of the loss; but since Mr. Bailey has no property, Mr. Reid will no doubt have to pay the debts of the business.

Enriching Your Business Understanding Page 63

1. Answers will vary. Most shopping centers include businesses representing all types of ownership except perhaps cooperatives; even these may have offices in shopping centers of rural areas. Many corporations include "Inc." as part of the name.

2. There will be a variety of responses. Annual reports usually include the name, location, and type of business; a brief history of the firm; names of the board of directors and executive officers; comparative financial reports, such as the balance sheet and profit/loss statement for the current and selected previous years; an explanation of the company's financial condition and its expectations for the future; the number of shareholders; and a dividend report. The Securities and Exchange Commission regulates reporting by corporations and requires each to disclose certain items annually to stockholders.

3. After paying necessary taxes and setting aside funds for the further development of the organization, the remainder of the earnings is returned to the members as a patronage dividend in proportion to their purchases. Members may also receive interest on the stock they hold as an additional dividend.

4. A *general partner* is one who usually is active in the management of the firm; as a co-owner of a business, he shares in the profits of that business and he also has unlimited liability for the debts of the firm. A *limited partner* does not take an active part in the management of a firm. He shares in the profits of a firm, but he does not assume responsibility for the debts of the firm beyond the amount of his investment in the firm. A *silent partner* is one who, although he may be known to the public as a partner, takes no active part in the business.

5. (a) Franchising is an arrangement by which companies with well-known names grant "franchises" or licenses to people with some capital to invest. This makes it possible for individuals with

limited financial resources not only to be in business for themselves but also to benefit from the reputation, guidance, and know-how of the franchising companies. Under a franchise arrangement, the firm granting the franchise and the one accepting it agree to perform specified functions for each other. The franchise for operating a gasoline service station, for example, may be obtained from a large oil producer such as Standard Oil, Shell, or Texaco. The oil companies select the site for the station, build it, and then lease it to an individual who can operate it as an independent business, using, of course, the products produced or distributed by the company concerned.

(b) Among the types of businesses where franchising is quite popular are auto dealerships, restaurants, soft-drink bottlers, car rentals, coin-operated laundries and dry cleaning establishments, and motels. Some of the well-known franchises are Howard Johnson's, Avis, Hertz, Diary Queen, Shakey's Pizza, Kelly Girl, Kentucky Fried Chicken, H & R Block, and Holiday Inns.

(c) Some of the advantages are: (1) exclusive selling territory; (2) trademarks, signs, brand names, and other features that will identify the franchise; (3) expert management assistance provided. Some of the disadvantages are: (1) franchising company must be paid a certain amount--usually a percentage of gross sales volume--at regular intervals; (2) the business must be operated according to the policies and procedures recommended by the franchisor; (3) all or at least a certain portion of supplies and merchandise usually must be purchased from the franchisor.

6. Junior Achievement is a nationwide program through which high school students are given the opportunity to learn about the American business system and how it works by actually operating a miniature company of their own. The young "Achievers," with the aid of business people acting as consultants and advisers, are exposed to all basic forms of corporate activity ranging from incorporation through liquidation. Through Junior Achievement, teenagers operate their own companies, sell stock, manufacture products, sell goods and services, keep books, pay salaries and wages, pay taxes, prepare annual reports, and pay dividends if the business is profitable. Junior Achievement centers are located in most large cities and in many suburban communities. Oral reports will differ greatly depending on the students' visits, interviewers, and readings.

PART 6

AUTOMATING BUSINESS ACTIVITIES

Learning Goals

1. Realize that power-driven equipment does almost all of our heavy work.

2. Understand why more goods and services are produced per hour of work today than were produced a century ago.

3. Analyze the factors that make mass production possible.

4. Distinquish between automated data processing and electronic data processing.

5. Understand that automation has a specialized language and be able to use correctly some of the more common terms, such as *input, output, flowchart,* and *program.*

6. Develop increased knowledge of automation and an appreciation of the tremedous impact that the computer has had and will have on production and information processing.

Suggested Teaching Procedures

1. After Part 6 has been read by the students and discussed in considerable detail in class, the teacher may wish to use the beginning exercises in the workbook (page 27) as an open-book test to check on student comprehension. Some of the material in this part--particularly some of the technical terms--may be formidable to several students, and therefore some reviewing and reteaching in class may be in order.

2. As soon as possible after the "Automating Business Activities" topic has been introduced, encourage several students, individually or in small groups, to start preparing pictorial exhibits tracing the improvements that manufacturers have made in certain products since the time they were first introduced to the market. Suggested examples of products that might be used are airplanes, automobiles, television sets, electric refrigerators, telephones, typewriters, and lawn mowers. Pictures and descriptions of early models may be obtained from advertising literature distributed by different manufacturers. Perhaps photocopies of early models may be made from pages in books, old magazines, and other publications.

3. Part 6 is introduced by a short treatment of the Industrial Revolution. The teacher may decide that it is worthwhile for the class to devote time to this phase of our business and economic history.

a large segment of the population works for relatively short hours in factories, stores, offices, etc.

(e) Students should be encouraged to speculate here about changes that will take place and about how these changes will affect their lives and occupations. Increased use of automation will create different kinds of jobs. Students need to think in terms of adapting to changes in jobs and job requirements. New products and services will further eliminate hard chores. Houses will probably be constructed more quickly and more cheaply. Television will improve, both in screen size and in on-the-scene viewing in more parts of the world. Automobiles will become more efficient. Great advances will occur in air travel, in space exploration, and in pollution control. Many banking services will be computerized and more of our business forms, such as checks and statements, will be put on computer output media.

4. Refer to *Understanding What You Read,* question 4, on page 76 of the textbook. The concept of interchangeable parts will be more indelibly remembered if a few interested students will actually demonstrate how the application of this principle can save time and money in the use of many of our possessions. Some of the students may be able to show how a carburetor or other small section of a car engine can be repaired with an interchangeable part; how a faucet or fixture can be easily fixed with a replacement part; or how a household item can be saved. Invite the repairer who services the typewriters in your school to demonstrate how interchangeable parts are used to keep the school's machines in good running order.

5. The information given in this part may be supplemented to any extent that time permits with studies of important inventions and how these inventions have affected living conditions. Different inventions may be assigned to different students, who may be asked to read about them in an encyclopedia and other references and report their findings to the class. Reports should include not only the nature of the invention and by whom it was developed, but also the ways in which this invention has changed our living conditions.

This project can be tied in nicely with *Enriching Your Business Understanding* activity 5 on page 78 of the textbook. In addition to asking students to look for biographical information in encyclopedias, have them check with school and public librarians in other sources. The names of black inventors can more completely and readily be located in such references as *The International Library of Negro Life and History,* the *Negro Almanac,* and the *American Negro Reference Book*. To give the students an opportunity to use these research materials and to note the contributions of black inventors, you may want to add such names as Rillieux and Matzeliger to the list in the text.

6. Invite the industrial education teacher to describe to the class how automated equipment is used in production. Perhaps the office practice teacher can describe electronic data processing and show the class pictures of hardware and samples of computer-printed reports.

A panel of students may be asked to do special reading in standard reference books and history books, and then to report orally to the class. Members of the panel could concentrate on different questions selected from the following:

(a) What were the major sources of power before the Industrial Revolution? After the Revolution?

(b) What were some of the more important inventions that ushered in the Industrial Revolution?

(c) Why is this period referred to as a "revolution?"

(d) How has the Industrial Revolution affected the products we use? The kind of work we do?

(e) What important changes will probably occur in business and industry in the next 25 years? How will these changes affect the kind of work we will be doing?

Teachers in the history department of your school may be willing to recommend to your students helpful sources of information. Perhaps a discussion and student reporting session on the Industrial Revolution could be held jointly with one of the history classes.

The information that follows will be helpful to the teacher in considering each of the five question groups given above.

(a) A bulletin board display or visuals might show power supplied by humans, animals, wheels, levers, water, etc. as early sources. More modern power sources include electricity, oil, and atomic, nuclear, and solar energy.

(b) Important inventions include: pendulum, cotton gin, steam engine, Leyden jar (condenser), power loom, iron plow, reaper, flying shuttle, spinning jenny, carding machine, electric battery, electroplating, television, and laser beam.

(c) This period is referred to as a "revolution" because many important inventions occurred in a relatively short period of time, speeding up the production of goods. This caused a quick--revolutionary--change to mass production and to the availability of goods in greater amounts at lower cost. The period also witnessed a beginning of the shift from an agricultural economy to a manufacturing economy, with waves of people leaving rural areas and moving to towns and cities.

(d) The Industrial Revolution has made it possible for all of us to have more goods and services in greater variety at greatly reduced prices. It caused a rapid growth in cities and towns where

If there is an editing typewriter in the typewriting or office practice classroom, ask the teacher to demonstrate this automatic equipment, as suggested in *Enriching Your Business Understanding* activity 3 on page 78. Some editing typewriters are portable; a sales representative for such equipment might be invited to demonstrate the machine to the class.

Transparency Master 6-1 will aid in achieving learning Goal 2. The point should be made that the application of technology and automation to the production of goods and services has significantly increased the output per man hour. With this higher productivity, GNP has increased steadily and with it, our standard of living has also increased.

7. Have the students collect items on output media, such as their enrollment or attendance cards, magazine subscription notices, or statements from utility or retail firms. Display these on a bulletin board.

8. In connection with *Enriching Your Business Understanding* activity 2, students might bring in sales receipts from various stores which use computer terminal cash registers. Have them ask the sales clerk to explain the entries. These examples might be posted and a comparison made of the visual and accounting differences between a terminal register and a standard register. The teacher can explain how the first entry of the business transaction in a computerized system becomes the source document, eliminating repeated entries of the same transaction.

9. To what extent is the keeping of records in your school or school district automated and computerized? Many school systems use automated and electronic equipment for attendance records, grade reports, student schedules, payrolls, testing programs, and other purposes. Arrange to have school officials in the data processing department talk to your class. And perhaps a field trip to your computer center can be conveniently worked out. Observing a keypunch operation would be a good activity prior to working *Solving Business Problems 3* on page 77 of the textbook. The students would then be better able to understand the meaning of "performance standard" and how an operator could "punch a payroll card in half a minute." If this observation is not possible, the teacher can demonstrate the meaning of a standard by typing at various speeds in front of the class and explaining how the rate per minute is determined.

When you project the interpreted card in Transparency Master 6-2, use a ruler or straight edge to expose one column of the card so that the students can see the top and bottom printed column numbers 1-80.

10. Supplementary Activity C should provide an interesting introduction to the flowcharting in Supplementary Activity D. Most homes

have something that operates automatically, such as a toaster. (In some inner-city schools or in classes in which many students are from economically disadvantaged homes, the teacher could bring a toaster or an automatic device to the classroom.) The students could observe the appliance in action and record each step of the process.

Achievement Test 2 is arranged so that the teacher wo wishes to do so can administer the parts applicable to Parts 4-6 at this point and delay the test on Part 7 until after that part is completed.

PART 6

AUTOMATING BUSINESS ACTIVITIES

Improving Your Business Vocabulary page 75

1. technology
2. mass production
3. division of labor
4. interchangeable parts
5. automation
6. data
7. process
8. automated data processing
9. input
10. source document
11. output
12. electronic data processing
13. program
14. programmer
15. flowchart

Understanding What Your Read page 78

1. The use of machines and the advancements in business management, science, and technology made possible the increase in worker productivity.

2. Power-driven machinery made mass production possible.

3. Division of labor is another term for specialization.

4. Interchangeable parts allow owners to replace a part instead of discarding the entire product.

5. Automation is the use of electronic or mechanical equipment to produce goods and services with a minimum of human effort.

6. Punched cards are used for such business forms as utility bills, credit purchases, checks, invoices, and tax bills.

7. Answers will vary. Means of input used with electronic computers include punched cards: magnetic ink, tapes, and discs; and paper tapes.

8. A programmer writes specific instructions for a computer.

9. A flowchart shows in diagram form and proper sequence the steps to be written in the computer program.

10. Various answers may be given. Some ways in which computers are used by business and government include the recordkeeping involved in payrolls, inventory, insurance premium notices, hotel reservations, government bonds, and Social Security accounts.

Applying Your Business Knowledge page 76

1. Students might choose from a variety of automatic home appliances. A sequence for an automatic dishwasher and a record player might be:

Dishwasher: (1) warm the dishes, (2) heat water, (3) wash--3 min., (4) drain, (5) wash-- 1 min., (6) drain, (7) rinse, (8) drain, (9) rinse, (10) drain, (11) heat dry, (12) turn off.

Record Player: (1) drop record, (2) turntable begins, (3) move arm toward center, (4) stop at record speed setting, (5) drop arm, (6) play, (7) lift arm at end groves, (8) return arm, (9) check to see if this is last record, (10) if no, return to Step 1, (11) if yes, lower arm and stop.

2. Responses will vary according to students' experiences and whatever investigations they may make. Some examples of the use of interchangeable parts are:

(a) Housewife. Easy and inexpensive to obtain such replacement items as light bulbs, ironing cords, parts for a vacuum cleaner, television parts, and expensive dishes that may have been broken from a dinner set.

(b) Farmer. Almost countless parts can be obtained for trucks tractors, and other farm equipment.

(c) Automobile manufacturer. Use of identical parts such as wheels, carburetors, mufflers, and fenders that can be produced economically in large quantities; identical parts make it possible to assemble cars in various plants efficiently and quickly.

(d) Automobile owner. Needed parts can be obtained quickly; car owners can install such items as mufflers, fan belts, oil filters, spark plugs, and windshield wipers.

(e) Proprietor of a hardware store. Parts can be obtained for most of the products sold in a hardware store; also, standardized parts (faucets, bolts, handles, springs, hinges) are obtainable to sell to customers who need such items. In general, the hardware store is the source for many homeowners when they need interchangeable parts.

3. The next step is to bake the pizza 15 minutes. The total possible baking time provided in the flowchart is 18 minutes. To be used for a mushroom or sausage pizza, the flowchart would have to be modified. One way would be to substitute either mushroom or sausage at the pepperoni decision point. Another would be to add two more decision points--mushroom and sausage--after the pepperoni decision point. If the latter change is made, the flowchart could be correct for plain, pepperoni, mushroom, or sausage pizza.

4. Examples of automation in a home include the dial telephone, automatic color adjustment on a television set, automatic lawn sprinkler, air conditioning, automatic washer-dryer, clock radio, home burglar alarm system, and water heater.

Enriching Your Business Understnading page 78

1. Some people are willing to pay for the extra cost of having individually made items. They may need hand-tailored suits because of physical characteristics or defects that they must adjust to, or they may desire a specific kind of clothing and want it styled to their special tastes. Some people prefer custom-made furniture because the rooms where the furniture is to fit may require special designs, sizes, or finishes. Some people desire custom-made goods for prestige and status reasons. Some people also prefer the higher quality that they feel they receive with hand-crafted goods.

2. Cash registers are increasingly used as computer terminals. The sales ticket is, therefore, the source document; the original entry--at the point of sale--is automatically recorded into several accounts such as cash, accounts receivable, and inventory control. Students may list such examples as department stores, chain drug stores, and large supermarkets. Entries on customer receipts vary, but most identify each entry more fully than some standard cash registers.

3. Students might view a Magnetic Card Selectric Typewriter in the school or in a business before reporting. The advantages include the ease of correcting errors (backspace and type over the error); setting up copy in rough form on the first typing for ease in editing; and, when copy is edited, automatically typing many copies at high speed. Editing typewriters, such as the MCST, are used in business for repetitive work such as form letters. They are the heart of word processing systems.

4. Answers will vary according to the students' home environment. Examples might include: vacuum cleaner, substitute broom; electric lights, substitute kerosene lamp, candles; electric hedge clipper, substitute hand clipper; electric stove, substitute coal, wood stove, propane camp stove; or sterno stove; electric dryer, substitute clothes line.

Substitutes could be found for most items, at least for a while; but it would be difficult for most Americans to do without electric lights for very long. Also, it would be difficult of most families to change to coal, wood, or other type of stove to prepare meals.

Application

Led to practical development of the radio and television.

Farm machinery of many types resulted from this invention.

Developed engine light enough for automobile; basis of internal combustion engine used extensively today.

Tires for all types of vehicles and countless products using rubber have resulted from this process.

This machine for separating cotton fibers from seeds greatly increased cotton production, resulting in needed fabrics at lower cost.

Today's typewriter contains many of the fundamental features of this first typewriter.

This instrument made possible sending messages quickly by wire to all parts of the world.

His invention and his discoveries in outer space resulted in new understandings of the universe.

Greatly speeded the manufature of clothing.

PART 7

MEASURING WITH METRIC

Learning Goals

1. Appreciate and understand the reason why the United States is in the process of converting to the metric system.

2. Identify the base units and prefixes of metric measurement and their abbreviations.

3. Be able to express measurements in appropriate metric units.

4. Understand that since the metric system is based on the number 10, the measuring unit can be changed simply by moving the decimal point.

5. Be able to estimate in metric units the length, weight, or volumbe of common objects.

6. Understand the principle of the Celsius scale of temperature measurement.

Suggested Teaching Procedures

1. The students' interest in metric might be stimulated by asking them to identify objects or events which are now measured in metric terms. For example, camera lens and ski sizes are expressed in millimeters and centimeters, and Olympic field events are reported in meters.

2. Encourage students to keep on the lookout for evidence of the increasing use of metric measurement in the business and industrial world. A number of articles dealing with the metric system and its use are now appearing in professional and popular journals and news magazines. Students should be made aware of this important trend.

3. Ask a student or a small committee of students to make a report to the class on the Bureau of Weights and Measures of the U. S. Department of Commerce. The report should include what the Bureau is and what its responsibilities are. Encourage the students to write and obtain the packet of materials on the metric system that the Bureau makes available. The address is: Metric Information Office, National Bureau of Standards, U. S. Department of Commerce, Washington, DC 20234.

4. Prepare or have students prepare a bulletin board dealing with the metric system. Examples of what might consitute such a display are:

A poster presenting the common metric units and their prefixes

Pictures of business and industrial products the measurements of which are in metric terms

Sporting events (especially track and field events) in which distances are expressed in metric terms

Comics and cartoons relating to metric (an example is on page 80 of the text)

5. Ask a student to prepare and present to the class a brief report on the history of measurement systems. An excellent resource is the leaflet publication entitled "Brief History of Measurement Systems with a Chart of the Modernized Metric System," published by the National Bureau of Standards and for sale by the Superintendent of Documents, U. S. Government Printing Office, Washington DC 20402 for 25¢. Also the *Education Index* and the *Business Education Index* list many articles in current publications on the metric system.

6. Introduce the students to the basic metric units (the meter, the liter, the kilogram, and the degree Celsius) by writing these units of measurement on the board. Then, with the aid of Transparency Master 7-1, show the relationship between these units and the U. S. units of yard, quart, ounce (the weight of about 28 paper clips), and the degree Fahrenheit. Since students know the U. S. system so thoroughly, it is easier for them to envision measurements expressed in metric units if they can relate them to the U. S. system measuring units. Transparency Master 7-1 and textbook illustration 7-2 on page 81, by presenting this relationship visually, will help the students understand it.

7. After the students read Part 7, the teacher should assign and' discuss the end-of-part sections *Improving Your Business Vocabulary, Understanding What You Read,* and *Applying Your Business Knowledge* and the appropriate sections in the workbook. These sections enable the students to test their understanding of the new metric terms to which they are introduced. It also enables students to begin to gain some feeling for the appropriate metric unit to use in expressing measurement of common objects, distances, and temperatures.

8. Encourage students to begin expressing the measurement of common objects, distances, and temperatures which they use or with which they are familiar in metric terms. Show Transparency Master 7-2 in this connection. *Activity 1* of the *Enriching Your Business Understanding* section might be read with the class, discussed briefly, then assigned. If a metric ruler is not available, a regular ruler or yardstick could be used for linear measurement, then the measurements obtained converted into metric units through the use of the conversion table on page 84 of the textbook. Explain the use of the conversion table and, using the chalkboard, give students a few examples of the conversion technique.

9. Have students reinforce or further develop their ability to think in metric terms by working out the problems in *Solving Business Problems*. These are easy short-answer problems, but they give the student more experience in handling metric measurements.

10. Be certain that students are well acquainted with the abbreviations for metric measuring units. The abbreviations are very brief--a single letter change may denote a different measuring unit. The basic abbreviations are presented in Illustration 7-4 on page 83 of the text.

11. Give the students some experience in converting from the standard units of gram, liter, and meter to the appropriate prefixed units. As pointed out in the text, by using prefixes with the units of the metric system, one can express measurements in a more convenient way.

12. On the chalkboard or on a transparency, draw a regular one-foot ruler marked off in inches. Have the students do the same thing at their desks on a sheet of paper. Then have the students mark off the ruler in centimeters and millimeters on the other edge of the ruler. This technique helps students establish the relationship between these units of linear measure.

13. Give students experience with some of the less commonly used metric measurements. For example, give them a cake recipe. Then, providing them with metric equivalents for the measures needed, help them convert from U. S. measures to metric.

14. It is important that students begin to estimate fairly accurately in metric units rather than to estimate in U. S. customary units then convert to metric. After students have completed this part, help them learn to estimate in metric by asking questions such as these:

> How far in meters is it from my teacher's desk to the bulletin board in the rear of the room?
>
> How long is this pencil in millimeters? in centimeters?
>
> What is your estimate of the temperature today in degrees Celsius?
>
> How tall are you in centimeters? (Or how tall is your classmate?)

15. Students should be made aware that there are problems involved in the conversion from the U. S. system of measurement to the metric system.

This fact is a major reason why there will not be an immediate and complete conversion. Encourage one or more students to report on some of the problems that business and industry face in the conversion to the metric system. Another approach might be to have a debate between two teams on the topic: Resolved that the U. S. Should Adopt the Metric System. This type of approach would generate considerable student interest and highlight some of the problems, advantages, and disadvantages of both systems of measurement. Students might also interview local business people or industrial managers to obtain their views on converting to the metric system of measurement.

16. Be sure that students know where they can find information about metric--the metric units, abbreviations, values, and problems and trends in the use of the metric system. The teacher might want to obtain for the classroom library a copy of "Some References on Metric Information with Charts on 'All You Need to Know About Metric' and 'Metric Conversion Factors'," published as NBS Special Publication 389 by the National Bureau of Standards and obtainable from the U. S. Government Printing Office. It is interesting to note that, as of this writing, although Congress continues to vote down proposed legislation converting the United States to the metric system, there is a continual move by American business and industry toward the use of the metric system.

17. Metric measuring cups and spoons may be borrowed from the Home Economic teacher. Patterns usually have measurements printed in metric units on the envelopes.

18. Obtain from the manager of Penney's store--*Insights Into Consumerism--Moving Toward Metric, 1974, Fall/Winter.* This is a small kit with activities and information about changing to metric and how we'll achieve the change.

PART 7

MEASURING WITH METRIC

Improving Your Business Vocabulary page 86

1. metric system
2. kilogram
3. meter
4. liter
5. degree Celsius
6. milli
7. centi
8. kilo

Understanding What You Read page 86

1. The U. S. is moving toward the metric system because most other countries of the world now use or are changing to the metric system. Since we engage in a great deal of trade with other nations of the world, it appears that by adopting the metric system we could further increase our trade with other nations by making it less complicated.

2. The base unit of weight is the kilogram; the base unit of distance is the meter; and the base unit of volume is the cubic meter. The liter is used for most volume measurements.

3. In the metric system, temperature is measured by degrees Celsius rather than by degrees Fahrenheit.

4. The liter is a little larger than a quart.

5. The metric system is called a decimal system because it is based on the number 10. A person can state a metric amount in a larger or smaller prefixed unit by dividing or multiplying. This can be done easily by moving the position of the decimal point the required number of places to the left or to the right.

6. Metric abbreviations and their meanings are as follows:
   m = milli or meter
   l = liter
   kl = kilometer
   g = gram
   mm = millimeter
   cg = centigram

7. One thousand grams make a kilogram.

8. A centimeter is 1/100th of a meter.

9. The liter is the metric unit that would be used to measure the gasoline being put into a car.

10. There are 1.6 kilometers in a mile.

Applying Your Business Knowledge page 86

1. The following are the metric units that should be used to replace the customary U. S. units indicated:

(a) kilometer to replace the mile
(b) liter to replace the gallon
(c) centimeter or millimeter to replace the inch
(d) kilogram to replace the pound
(e) meter to replace the foot
(f) liter to replace the quart

2. The following are the metric units that should be used to measure the items indicated:

(a) the meter to measure the length of a swimming pool
(b) the liter to measure the amount of milk in a carton
(c) the centimeter to measure your waist
(d) the gram to measure the weight of a vitamin pill
(e) the kilogram to measure your weight

3. The metric unit that should be used to measure one teaspoon of vanilla is the milliliter.

4. Water freezes at 0^{o} C. It boils at 100^{o} C. The Celsius scale was developed by the 18th century Swedish astronomer Anders Celsius. Celsius defined 0^{o} to be the freezing point of water and 100^{o} to be the boiling point. The interval between was divided into degrees.

Enriching Your Business Understanding page 88

1. The size of this page is approximately 175 mm by 230 mm. The objects students select for measurement will vary. Examples of sizes of some commonly used objects are as follows:

length of a standard unsharpened pencil--19 cm
diameter of a nickel--20 mm
waist size of a typical ninth or tenth grade male student--76 cm
length and width of a standard index card--76 mm x 127 mm
thickness of a typical school book--28 mm

2. Answers will vary. Examples that students might collect or cite that provide measurements in both metric and U. S. units are the following: dress patterns, cooking recipes, posted speed limits, distance between cities.

3. Students should be encouraged to discuss this interesting topic. At the time this book goes to press, Congress has considered legislation that would convert the U. S. to the metric system, but voted it down. Nonetheless, some U. S. companies are going ahead and converting to metric anyway; and it is believed that the Congress will

eventually pass legislation mandating the use of metric measurement. The changeover to metric will no doubt be a gradual--not an immediate--one.

The class discussion should include arguments both for and against converting to the metric system. Arguments favoring metric might include: (1) since most countries that trade with the U. S. are on metric, our being on that system would facilitate two-way trade; (2), the metric system, because it is a decimal system with few base units, is a simpler system to use once it is learned; (3) at this time we are actually on a dual system, since measurements of some products now on the market are expressed in metric measurement terms (examples: camera lenses, ski sizes, medical prescriptions, etc.). Arguments against going metric might include (1) the expense of converting to the system (converting machinery and other equipment, reprinting product literature, cost of retraining, etc.); (2) initial difficulty of replacing the U. S. system which we know thoroughly with a system that, in effect, has to be newly learned, etc.

4. Answers will vary. Among their responses might be the following: deka, meaning 10 times base unit; hecto, meaning 100 times a base unit; deci, meaning 1/10th of a base unit.

UNIT 3 LOOKING AT CAREERS

The need for providing career exploration activities as part of our schools' curricula appears to be well documented. Various studies indicate that the youth of our nation are asking for help as they seek to understand and prepare for their future work roles. The career education movement which gained serious attention during the 1970s places a special emphasis on career exploration within the total program of education.

The exploration of careers is a significant part of the career development process. Various studies and surveys show that youth want help with the career exploration process; yet, that need generally has not been met effectively. The purpose of Unit 3 is to help the student begin an exploration of career opportunities in the world of business. Part 8 introduces the students to the concept of careers and stresses the importance of beginning career planning now. Facts about the world of work are presented in Part 9. Different classification methods are discussed, including major occupational groups and the fifteen U.S.O.E. clusters. This part also indicates what are several of the current trends in the working world. Part 10 gives the students some practical guidelines on how to explore careers in the world of business.

The objectives are to:

(1) Appreciate the importance of work in an economic society.

(2) Understand the necessity for planning for the future.

(3) Understand how a career affects an individual's life-style.

(4) Know the ways in which jobs can be classified.

(5) Know some of the trends in the world of work.

(6) Understand how to begin exploring careers.

Part 8

MOVING TOWARD YOUR CAREER

Learning Goals

1. Realize that people work for satisfaction as well as for survival.

2. Understand that finding the right career is important to everyone.

3. Be able to explain why planning is necessary in order to find the right career.

4. Be able to explain that now is the time to begin career planning.

Suggested Teaching Procedures

1. Students often have difficulty in seeing the relevance of career planning until they are juniors or seniors in high school. Therefore, fruitful discussions can revolve around the importance of timely planning. The discussion should also cover kinds of planning that will be necessary. Students usually also find a discussion of ways of planning most helpful.

2. In this introductory part on career exploration, every effort should be made to help the students understand how work and a career fit into their proposed life-styles. Transparency Master 8-1 will greatly aid in making the point that different individuals have and want different life-styles.

3. Students might be asked to prepare oral or written reports on work experience they already have. Almost any work can give the students valuable insights into the world of work. Often students do not realize that simply learning to follow instructions or be on time are important lessons. Students can learn many things from the work experiences of their classmates.

4. Transparency Master 8-2 shows some interesting differences of opinion by young men and women regarding anticipated work experiences. A discussion evolving from their transparency master could cover different work expectations.

5. Supplementary Activity A on page 43 of the workbook may give the teacher some idea of how aware students are of jobs in business. Great value can come from listing on the chalkboard as many jobs in business as possible. In many cases, this will be the first identification of specific jobs with the business community. Allow the students to explain as well as they can what the duties are of the various jobs mentioned. The teacher should, of course, correct any misunderstandings.

6. The importance of career planning is shown clearly by Supplementary Activity B on page 44 of the workbook. As students discuss the career patterns of the two individuals, they will soon discover that Person A is a victim of the lack of planning.

7. Using the "Business Careers Kit" ask each student to fill out a career planner sheet containing information he knows about his career choices. At the end of the unit or end of the year, give him the career planner again and discuss changes in career choices or in his views about the same careers.

8. Hand out a copy of "Job Choice" for each student to fill in.

9. Invite the school guidance counselor to class to administer a complete "interest test." The results should then be discussed with students.

10. Take a field trip to a local business. Include a discussion of career opportunities with that company and characteristics they look for in prospective employees. Call:

    Ohio Bell Telephone Company
    Lazarus' "Lazarus Behind the Scenes"
    MacDonalds at Sixteenth and High

11. Ask class to bring the want-ad sections of local newspapers. Divide the class into groups with three to five students in each.

    Determine which five types of occupations offer the most opportunities for employment. Strive for different classifications, such as clerical workers, engineers, etc. Assign each group one classification for which it is to check the number of vacancies, salaries, experience required, and other qualifications (skills, education, age, etc.) Then summarize information on the chalkboard.

12. Obtain a copy of regulations that apply to minors in the work force.

    Source: Principals should have a copy of these laws.

13. Make a bulletin board display or poster using the theme "Our Changing Work Force." Show things such as declining agricultural employment, increasing employment in service industries, declining demand for unskilled labor, demand for skilled labor, and increasing employment for women.

Part 8

MOVING TOWARD YOUR CAREER

Understanding What You Read page 96

1. Now is the best time to start planning for the future.
2. Full-time workers spend about half of their waking time at work.
3. As a student, you have the responsibilities of going to school regularly, attending classes, and doing assignments to the best of your ability.
4. The worker's responsibilities include being at work regularly, being at the proper work station or desk, and doing the best work possible.
5. To check out your likes and dislikes, you can think about the school subjects in which you do your best work. Also think about what you like to do best.

Applying Your Business Knowledge page 96

1. Students should be free to identify almost anything that is manufactured by business that is of interest to them. They should be encouraged to think about special services, such as income tax accounting, court reporting, business machine repairs, servicing appliances, selling insurance, and paying insurance claims.
2. Students should be encouraged to identify many things that they do, such as vote in school elections, serve on the student council, attend community meetings, help with special community projects (community clean-up days, blood drives, etc.), that are examples of good citizenship. As consumers, students buy many things and should be careful in selection of goods and services. Some students might be active with groups that are trying to get better consumer practices.

3. Students will be able to identify many things which they feel are important. Rent or mortgage payments, food, transportation, and clothing should be on the list of basic needs. Luxuries might include such items as cars, TVs, entertainment, and stereo equipment. These things should be discussed in terms of the extent to which they are needed and how much they cost in the local community. Some conclusions should be drawn as to the amount of money people need to earn in order to live comfortably.

4. Habits are formed while in school, and these carry over into the world of work. Being present for work is just as important as being present for school; people who miss a lot of school days also tend to miss a lot of work days.

5. Students should be encouraged to think about subjects they have studied in the past. Discussion should center on different kinds of jobs that use the skills and knowledge of all subjects. For example, English is important to all jobs, especially secretaries, journalists and report writers; math is important to many business jobs, especially computer operators, statisticians, and accountants.

6. You can begin planning for your career by thinking about your likes and dislikes. You might decide to take certain courses related to a possible career choice. You should think about whether you want to go to college and, if so, what courses will help you.

Enriching Your Business Understanding page 98

1. Most workers will tend to agree with the importance of career planning. Students should be encouraged to talk with workers who have jobs in businesses, offices, or retail stores.

2. This will likely be an interesting activity. Some students become dissatisfied with their part-time employment and find out that work is not what they had imagined. Often students get good advice from adult workers in terms of taking certain subjects, completing their schooling, etc.

3. Students might use reference books and counseling files in this exercise. This will broaden their perceptions of possible job interests.

Part 9

PEOPLE IN THE WORKING WORLD

Learning Goals

1. Explain some of the changes that are taking place in the world of work.

2. List the nine major occupational groups and some of the careers included in each.

3. Tell in which occupational groups the most workers will be needed in the next decade.

4. Describe several of the most important trends in the world of work.

Suggested Teaching Procedures

1. This may well be the students' first exposure to many specific facts about the world of work. Take time to discuss the major occupational groups listed on Illustration 9-1 on page 101 of the text. Knowing these groups will help the students systematize their exploration of careers. Ask the students to give as many careers as they can in each of the occupational groups. The Dictionary of Occupational Titles and the Occuptional Outlook Handbook will be most helpful to the teacher in dealing with this subject.

2. Much of the information in the current career education movement is presented in terms of the 15 clusters developed by the United States Office of Education. It is a good practice to make sure the students understand the differences between occupational groups and the clusters. Page 46 of the workbook will be helpful in this area.

3. The discussion of trends in the world of work on pages 103-105 of the text is very important. With skillful guidance of discussions, the students should be able to see how these trends relate to the workers that will be needed in the next few years as shown in Illustration 9-2 on page 102. This would also be a good place to discuss Transparency Master 9-1.

4. Transparency Master 9-2 can be beneficial to those students who have mistaken ideas on salaries paid to individuals who work in business. Additional salary information can be obtained from the Occuptional Outlook Handbook and from the Bureau of Labor Statistics publications.

5. Applying Your Business Knowledge activity 1 offers opportunities for the teacher to clear up misunderstandings students have regarding the impact on business careers of electronic data processing equipment. Many students have not been exposed to the vast array of new career opportunities that exist as a result of automated activities.

6. Applying Your Business Knowledge activity 2 is also valuable because it gives the teacher a chance to explain that education never ceases. While it may not be necessary to have a college education, it is essential that individuals who want to be valuable employees and who want to advance on their jobs must be willing to take additional training in their fields.

7. Invite a Career Education Coordinator from the Office of Career Education to speak with your class about trends in the World of Work in the Columbus area.

   Contact:

   Dick Briggs, Fulton Center, 228-8046

8. Have class do research on three career choices which interest them the most.

   Sources:

   Career Education Office

   Many materials available on a variety of career areas

   Encyclopedia of Careers

9. Take a field trip to local high schools offering a variety of vocational education programs.

   Call:

   Career Education Office

   Fulton Center

   Consult Board of Education

Publications which list areas of occupational specialities

Southeast Career Center - 497-1800

Metropolitan Career Center - 225-2697

Fulton Center - 228-8046

Eastland Vocational School - 836-5725

10. Invite the Occupational Work Adjustment Coordinator at your school to speak with your class on this program. The purpose of the program, how students are selected, the importance of career planning, types of jobs that are available for students.

11. Invite a high school student from an occupation program to speak to your class. An example would be the D. E. Program, C.O.E. Program, Day Care Training Program, etc.

Part 9

PEOPLE IN THE WORKING WORLD

Improving Your Business Vocabulary page 106

1. Bureau of Labor Statistics
2. Occupational Outlook Handbook
3. Clerical workers
4. Clusters
5. White-collar workers
6. Blue-collar workers
7. Mobility

Understanding What You Read page 106

1. About 80 million people are employed today in various jobs.
2. Common job titles used in business today are file clerk, accountant, court reporter, data entry operator, teller, stock clerk.
3. The nine categories are: clerical workers, semiskilled workers, professional and technical workers, service workers, craftsmen, managers and administrators, sales workers, nonfarm laborers, and farm workers.
4. Business skills are needed in jobs in each of the 15 clusters. The clusters of business and office and marketing and distribution have the greatest number of jobs requiring business skills.
5. One of the most important trends in employer demands is the need for prospective employees to have more education and training than ever before.
6. It is necessary for people to be mobile because often jobs for which they are prepared and which they want are not located in the community in which they are located. People must be willing to move to where the job is or face unemployment or a less pleasing job.

Applying Your Business Knowledge page 106

1. Jobs which will likely never be replaced by machines are those which depend a great deal on personal, human-to-human contact, such as the receptionist. Others which might be named include insurance agent, private secretary, police officer, and complaint clerk.

2. Employers are looking for employees who have more education and training because work is becoming more complicated and machines are doing much of the routine work which formerly was performed by employees with little education or training.

3. (a) Many new clerical positions will be created as industry expands. Some retail stores are transferring to clerical workers jobs that were once performed by salespeople. Many clerical jobs are also associated with automated data processing.

   (b) Jobs that probably require a college education are those in the professional and technical, managerial and administrative, and some clerical, service, and sales fields.

   Job areas that probably do not require college education are semiskilled, craftsmen, laborers, and some clerical, service, and sales jobs.

   (c) Improvements in farm technology and labor-saving machines will probably account for a decrease in the number of farm workers needed.

4. Students' lists will vary, but they might include such reasons as: liking the work, making the most money possible, having something to do close to home, wanting to do what the rest of the family did, not being able to find anyting else, wanting to do something easy, wanting a challenge in work, wanting to put education to use.

5. Students can find many printed pamphlets and books to help them list jobs within a cluster.

Enriching Your Business Understanding page 108

1. Jobs related to accounting probably have been affected in every community. Sales work also may have been affected by the introduction of new types of computerized cash registers and credit sales equipment. Some new jobs which

would have been created would be those of programmer, computer operator, and keypunch operator.

2. Students' answers will depend on the list they prepared for question 5 of Applying Your Business Knowledge.

3. Other volunteer activities might include: volunteer life squad, fund raising for fine arts activities and museums, volunteer work in museums, parks, etc. If people were not willing to help out in these activities, the choice would be simple: the community would have to pay people to perform these services or would have to do without them.

Part 10

EXPLORING CAREERS IN BUSINESS

Learning Goals

1. Understand that exploring careers is a continuing process.
2. Realize that exploring careers is done both in school and out of school.
3. Be able to identify several local sources of career information.
4. Know how to interview a worker to get career information.
5. Understand how an individual's values help determine career decisions.

Suggested Teaching Procedures

1. The teacher should review the discussion of "Career Planning And The Study Of Occupations" that starts on page 7 of this activity guide. This information provides a plan that can be followed for all of the career exploration activities throughout the remainder of the book. If it has not already begun, the exploration should be started at this point and it should continue for the remainder of the course.

   Periodic checks should be made on the progress the students are making. These checks can easily and conveniently be made at the end of each unit when the Career Focus sections are reviewed and the students complete the corresponding pages in the workbooks.

2. It is worthwhile for the teacher to spend some time in discussion of the concept of career exploring. Students must see clearly that almost everything they read, see, or do can give them valuable information on some career. They should also understand that career exploration continues even after a tentative career decision has been made. Supplementary Activity B in the workbook may help students systematize their exploration.

3. Students often do not realize how much career information is available to them, both within and out of the school. It might be good to have one of the school guidance counselors talk with the class about sources of career information. Most businesses have individuals who will be very pleased at being invited to talk with students about career opportunities. Chambers of commerce will usually gladly furnish speakers, student tours of businesses, helpful literature, and audiovisual aids.

   Call:

   Chamber of Commerce - 221-1321

   Ohio State Bureau of Employment Services -
   279-5550

4. Some time should be spent in role playing interviews. Teach students to ask questions that are relevant. Be careful that students do not ask questions that are too broad and general. Have the students use Supplementary Activity C on pages 53 and 54 of the workbook as a guide. Before asking students to interview business workers whom the students do not know, it is best to have them conduct practice interviews with individuals from their families or with the teacher.

   In addition to interviews with family members and teacher, there are many different job areas within the school building. An interview with the school principal, secretary, janitor, cafeteria worker, and nurse are just a few.

5. Transparency Master 10-1 is a great aid in helping students understand what is meant by values and how values affect career choices. Many students will be surprised to learn how many value judgments they have already made.

   Use worksheet "Work Values." This can be followed by worksheet "What Would I Like To Do?"

6. The teacher should g [illegible] ents through the Career Focus on business o [illegible] ransparency Master 10-2 present specific da [illegible] id the discussion. The students should con [illegible] er Focus Report in the workbook as part of [illegible]

7. Experience in working with particular jobs can be furnished by using the "Occupational Exploration Programs" (developed by the Center for Vocational Education).

(a) "Trade and Finance" Cluster Exploration Package.

(b) "Health and Welfare" Cluster Exploration Package.

These sets include filmstrips, job experience sets, posters, student workbooks.

These are available by calling:

Otto Smith
Career Education Coordinator
Crestview Junior High School
262-2515

8. To help students think more about values use Guidance Associates filmstrips, record and manual. These include:

(a) Values for Teen-Agers in the 1970s

(b) The Changing Work Ethic

(c) Liking Your Job and Your Life

(d) Career Values: What Really Matters To You

(e) Career and Lifestyles

These are available by calling:

Millie DePietro
Career Education Coordinator
Indianola Junior High School
299-1175

9. Use Career Awareness Kits. The cartoon character Popeye is the teacher in New King Features Program. Kit includes posters, comic books, and bingo game.

For information call:

Millie DePietro
Career Education Coordinator
Indianola Junior High School
299-1175

Achievement Test 3 should be administered after the students have completed Unit 3.

Part 10

EXPLORING CAREERS IN BUSINESS

Understanding What You Read page 115

1. You can become involved in the process of exploring careers by part-time work, observing jobs, looking up information, reading about careers, and interviewing workers.

2. Behind-the-scenes jobs are not seen by most people unless they really look for them.

3. Films or filmstrips on careers might be very general, they might present a very glamorous picture, and they will usually not point out the disadvantages of the career they tell about. Students must be cautious about the material's being factual and up-to-date.

4. Some questions that can be asked in an interview:

   (a) How did you get into your present job?

   (b) What other jobs have you had? Why did you leave them to take this one?

   (c) In what ways do you find your job to be satisfying to you? In what ways is it not satisfying? What are some things you do in your job?

   (d) In what ways do you think your job is better than other jobs? In what ways is it not so good?

   (e) What do you feel are some of the most important qualifications for the work you are doing? What training and education are needed?

   (f) What advice would you give a young person who is considering this line of work?

5. Think about your strengths and weaknesses. You might want to discuss them with a teacher or counselor. Your school grades are probably higher in subjects related to your strong areas. You probably also like things you do well better than things you do not do as well. There are also interest and ability tests which your school counselor can tell you about.

6. Questions that will help you understand what you consider to be most important in life:

   (a) Is it important to you to earn a lot of money?

   (b) Are you mainly interested in being of service to others?

   (c) Do you do your best work in the morning? at night? When do you do your clearest thinking?

   (d) Are you happier working indoors or outdoors?

   (e) Can you work under pressure? Do you enjoy routine work?

   (f) Are you even-tempered? What causes you to become angry or frustrated?

   (g) Is it important for you to have a job that others think is important even if you don't really care for it?

7. As time goes on, you will learn more about certain jobs and about yourself. Your decision will probably change too.

8. Steps in arriving at a decision:

   (a) Get as much information as you can.

   (b) Sort out and think about the facts you have gathered.

   (c) Think about different plans of action and what might happen if you follow them.

   (d) Select what seems to be the best plan of action and follow it.

9. Everyone's values and likes change. New jobs will come along, and there will be various kinds of job changes that will affect career decisions.

Applying Your Business Knowledge page 115

1. Career exploration is something that takes place over a period of time. It is not something that can be just done in a hurry at one time. There are a number of steps to take and several things to be considered.

2. You will learn about the work that is being done and about the people that work in that area. You can learn whether you like to do that sort of work. You can find out if you have the skills and abilities required.

3. The answers here will depend on the school or district. Common jobs that might be listed include: business teacher, principal, secretary, bookkeeper, receptionist, athletic director, vocational director, plant engineer, janitor, groundskeeper, head custodian, business manager, purchasing agent, personnel director, and superintendent.

4. Want ads let you know what jobs are being filled now by local businesses. You can watch the ads for a couple of days or weeks or months and see how the job needs change. Some jobs are not advertised in the newspaper, however, so you should also check with your school counselor or local employment office to find out about other jobs that are in demand. Also notice what requirements employers list in their job notices.

5. The list will help you make sure that you ask the right questions. Otherwise you might forget some or you might get carried away with some interesting point but miss others that you also need to know about. You will want to be sure to hear all points that the worker is saying. They might also give you some information you didn't expect, and you shouldn't miss it.

6. If you do well in a course involving arithmetic or English, you will usually have abilities in those areas that might be useful in a career. You might like some courses but not do well because you do not have the necessary basic abilities—if you go into a career requiring these abilities, you will have to take other courses or additional schooling to build up your abilities in that area. Your career choice should be based on those abilities you have or can develop; through your job you can use your talents and make a contribution to society.

Enriching Your Business Understanding page 116

1. The school librarian should be able to help any student who is unsure about how to locate reference materials in the library.

2. The questions provided in the chapter should serve as a basic outline for the interview. The student could add several questions pertaining to the specific career under examination.

3. This project will vary widely depending on what types of jobs students have had.

4. The student should have a list of questions ready before the interview. The school counselor should be able to suggest an appropriate job counselor for students to interview.

5. Students' answer will vary.

BEING A WISE CONSUMER

Unit 4

Part 11	Your Place as a Consumer
Part 12	Finding Consumer Information
Part 13	Becoming a Sharp Shopper
Part 14	Your Consumer Rights and Responsibilities

BEING A WISE CONSUMER

Unit 4

The first two units of the text provide a foundation for the study of business. The concept of the American private enterprise system is presented so that students may see the interrelationship of business to the total economy. Also, our economic system is presented along with other economic systems so that the student may see the advantages of the private enterprise system. In Unit 3, the student is given an overview of the world of work in order to evaluate careers in terms of aptitudes and interests. At this point the student should have a grasp of the overall picture of business and our economy and its workers. Before the various parts of the system are studied in detail, the student needs to assess his or her position as a teenager in the marketing system. This understanding, coupled with the concepts presented in the first units, will enable the student to view his role as a wise consumer of the output of the American system of production and marketing.

The first part of this unit is a carefully written but simplified treatment of marketing functions and institutions. Students are introduced to the impact of consumer decisions in the marketplace. They learn how goods reach consumers through various channels of distribution. They also begin the study of the tools they must develop in order to make wise consumer decisions. They begin to understand the role of marketing in a free-market economy and learn to appreciate why businesses must make a profit if they are to provide the services demanded by consumers.

The second part of this unit helps the students on their way to becoming informed consumers by presenting the more common sources of consumer information. The students learn not only what the sources are, but how the sources can be effectively used in buying decisions. This is accomplished through a presentation of what to look for on a label; when to seek the advice of a specialist; how to analyze advertising; what consumer services are provided by testing agencies; how publications, radio, and television can be sources of information; and how consumer information can be obtained from business, government, and private agencies.

The unit then delves firmly into consumer problems, including a discussion of buyers' rights and responsibilities. In these parts particularly, the teacher can make the content more relevant by implementing the experiences of students. Even in early high school years students have experiences as wage earners and as consumers. And just as important, they are members of family units and can relate to the buying decisions of adults.

The title of the third part, "Becoming a Sharp Shopper," reflects the realities of our consumer-oriented lives. It suggests that people realize that they have many consumer problems, some of their own making. It suggests the thesis that once spending-saving decisions have been made, the down-to-earth shopping takes place and can result in spending more or saving more, depending upon the quality of the decision. This stresses the basics of where, how, and when to buy. No attempt is made in this unit to analyze the quality of specific articles available for sale. It is doubtful that such a study of buying would result in learning that would be of lasting value because of the wide variety and changing character of the goods and services on the market. The purpose here is to help students develop a set of decision-making tools which they can use in any of their spending decisions.

The final part of the unit stresses the individual's rights and responsibilities. It stresses the fact that the four basic rights and the four basic responsibilities presented are equally important. This part introduces students to terms of the marketplace and cautions them to be not only aware of the possibilities of unethical practices, but also to be alert enough to avoid them when they can or to report them when they occur. It suggests sources they can turn to for protection of their rights as buyers. This part says simply, "You have some basic rights to be treated fairly as a consumer. If you feel you have been wronged, you have some responsibilities to act as a thinking individual in order to get the wrongs corrected."

The objectives of this unit are to:

1. Recognize that every person is a consumer and that businesses and consumers cannot exist without each other.

2. Recognize the effect that consumer decisions have on the economy.

3. Appreciate the role of marketing in a free-market economy.

4. Identify the sources of aid for consumers in making purchasing decisions.

5. Understand the principles of wise buying and be able to evaluate the major factors involved in every buying decision.

6. Appreciate the legal aspects of the buying process and the rights of both buyer and seller to fair treatment.

7. Know the rights and responsibilities of consumers.

Part 11

YOUR PLACE AS A CONSUMER

Learning Goals

1. Become aware of the effect that consumer decisions have on the economy.

2. Recognize that we are highly dependent upon a marketing system to provide the goods and services desired when and where consumers want them.

3. Understand how marketing services are performed by various kinds of businesses.

4. Appreciate the fact that reasonable costs of distribution are justified by the benefits which distributors provide for consumers.

5. Understand that the cost of a product or service must be weighed in terms of both value and price.

6. Appreciate the concept that values are personal, and, when buying, each individual must be self-determining in deciding what is important, rather than following the practices or recommendations of others.

Suggested Teaching Procedures

1. Use the statements on page 57 of the workbook to have the students evaluate their understanding of their place as consumers in the economy. Understanding What You Read questions 1 and 2 and Applying Your Business Knowledge activities 1 and 2 will help the students achieve Learning Goal 1. It should be pointed out that while a buying decision of one individual may not seem important, each as a part of aggregate decisions underlies the meaning of the terms market economy and consumer sovereignty.

2. Applying Your Business Knowledge activities 3 and 4 on page 131 and Enriching Your Business Understanding activity 2 on page 133 provide for a thorough discussion of the services of marketing firms so that the functions of distributors can be more clearly understood. It is important to use local businesses as examples. Transparency Masters 11-1 and 11-2 can be used to illustrate channels of distribution and to clarify the services performed by various marketing firms. You might also want to project Transparency Master 4-1 again to further illustrate the producer-

consumer chain and to reinforce the learning related to types of businesses.

3. A field trip behind the scenes of a large retail store or to a wholesale house may be undertaken. Students who cannot leave school in the daytime may be asked to undertake a trip after school and may be encouraged to visit a store and ask the manager to let them observe, under supervision, the "back of the shop."

4. Applying Your Business Knowledge activity 5 can be used to launch the discussion on the role of values in buying decisions. To present this in a dramatic way, the teacher might bring a beautifully decorated cake to the class to demonstrate that the phrase "you can't have your cake and eat it, too" is really a statement of the principle of opportunity costs. This is an important tool for the consumer's "economic tool kit"; and while it need not necessarily be labeled by its economic title, opportunity cost is an important factor in consumer decision making.

5. Along with the study of buying at auction sales in Enriching Your Business Understanding activity 3, students may want to consider the garage sale which has become so popular. They might hold such a sale in class; this would enhance their understanding of value. Have them also role play the "haggling" concept.

6. Enriching Your Business Understanding activity 4 might be used to discuss the share of the retail price that goes to the marketer (more than half). The services provided by marketing agencies should be carefully explained; they are many, including buying, pricing, sales promotion, storing, grading, transporting, risk bearing, financing, packaging, and others. The distributive education teacher is an excellent resource person for the class. In some cases, the conveniences of packaging and location--such as in vending machines--increase the marketing share of the cost far beyond the average. Solving Business Problems 1 and 4 will also help to make this point.

7. This unit provides excellent opportunities for the use of resource speakers. For this part, the teacher might want to consult a large business for information about a local chapter of the National Sales and Marketing Executives. Chapters with speakers bureaus usually welcome the opportunity to speak to school and other groups about the marketing function.

8. An interesting exercise can be made by having students compare "old-time" stores with recently remodeled or

constructed stores. Reasons for self-service, packaging, display, and services such as credit cards and parking should be developed.

9. Read the following problem story to the class and assist them in dealing with the questions "What would you do if you were Jim?" and "Why?"

Jim Holland would like a prerecorded eight-track tape for his older brother Al. Jim has his own paper route and his parents say he must pay for his own entertainment from his earnings. Realizing that Al's birthday is only three weeks away, Jim must save eight dollars for Al's birthday gift. In order to save for Al's birthday gift Jim will have to give up three ball games, plus cokes after school for two weeks. Jim could take money out of his savings, not pay his Christmas Club, borrow money from his parents, or not buy the gift. If he takes money out of his savings, he earns less interest. If he did not pay his Christmas Club payment, he would have less money to spend at Christmas. If he borrows from his parents, he will have to pay them back or mow the lawn for three weeks and weed the flower garden. If he doesn't buy a gift for Al, he will feel bad because all other family members will be giving Al a gift.

Other Sources of Information

Why Do You Buy? (9½ min.) color movie, from AV Library, Starling Building. Meet Frank Frontlash and Mildred Maximum, they buy things. Frank and Mildred are modern consumers. In addition to their basic material needs--food, shelter, clothing--they also have some important psychic needs which they try to satisfy with the things they buy. The film, through a fictionalized and comical approach, focuses in on the emotional elements which enter into the buying decision. It further shows how advertising utilizes the emotional appeals to sway our buying decisions.

Consumer Defense Mechanisms, Penney's, filmstrip/record. Helps consumer understand their own behavior in the marketplace. Fulton Center, 228-8046.

Hartman Farm Orchards, 491-1141, rear 5010 South High Street.

Lynd Fruit Farm Market, 846-2358, 6072 Busch Blvd., or U.S. Route 40, Pataskala, Ohio, 927-2100.

Lazarus downtown, 463-2121.

Penney's Distribution Center, 491-5620.

Sear's Distribution Center, 272-3000.

A & P Warehouse, 221-9838.

Big Bear General Office, 464-6500.

Kroger Main Office, 861-1560.

Ohio Beef Marketing Program, 846-1602. For information on beef costs, who and what is involved with beef sales.

Sales Executive Club of Columbus Area, 221-1321. Contact distributive education teacher or supervisor.

Ohio Historical Society

Ohio Village information	466-4664
Tours	466-2405
Ohio Village	466-6815

Center of Science and Industry, 228-6374. Streets of Yesteryear.

Columbus Office of Consumer Affairs, 461-7397.

Franklin County Prosecuting Attorney, 462-3520.

Ohio Attorney General, 466-8831. Consumer Frauds and Crimes.

Ohio Commerce Department, 466-8760. Consumer Protection Division.

Improving Your Business Vocabulary, page 130

1. channel of distribution
2. middleman or distributor
3. retailer
4. wholesaler
5. value
6. price

Understanding What you Read, page 131

1. Consumers' buying decisions affect the economy in many ways; examples: (1) their decisions help to determine how the nation's resources will be used; (2) their decisions affect the price of products and services; (3) overall their decisions affect the level of income

and the state of the economy.

2. When consumers demand so much of a product that producers cannot supply enough for everyone, prices will go up. On the other hand, if large numbers of people decide not to buy a certain product, producers will lower prices to get people to buy more of the product

3. No. Some products may be bought directly from the producer, such as fruits and vegetables bought from farmers.

4. Wholesalers buy goods in large quantities from producers and sell them to retailers; they store goods until the retailer needs them; and they usually extend credit to retailers. Sometimes they help retailers advertise products and train the retailers' sales forces.

5. When you say that an article costs too much, you mean basically that for you the article does not have enough value to make you willing to pay its price. You may reach this judgment in several ways: (1) you may mean that the item is of very poor quality for the price; (2) or the quality matches the price, but you don't need that much quality; (3) that you can buy the item you need for less money elsewhere; (4) that you do not need the item at all; or (5) that you do not want to do without other things you could buy with the same money.

6. Seven important buying decisions:

   (1) Would you rather buy this type of item than another item which you could buy for the same money?

   (2) Which dealer should you go to?

   (3) What quality of merchandise do you want to buy?

   (4) What price are you willing to pay?

   (5) Should you pay cash or use some kind of credit plan?

   (6) Do you really need this item now, or can you wait awhile?

   (7) If you make this purchase, what other important item may you have to do without?

Applying Your Business Knowledge, page 131

1. The large number of cars owned indicates that many con-

sumers prefer that large quantities of the nation's supply of iron, steel, and rubber be allocated to the manufacture of cars.

2. The price of meat would likely decrease.

3. Peaches and other fresh fruits must be marketed at the peak of their freshness. They are fragile and perishable and often must be stored and transported in refrigerated trucks. Farmers depend upon middlemen to buy large quantities, often a whole crop, and move the peaches to many retail stores. Farmers usually are not equipped to process, package, store, transport, or advertise their products. Middlemen who perform these services help the farmer to market products successfully.

4. Routes followed by different items in traveling from producer to consumer vary. Some of the more common and simpler routes are given below. Students may locate others:

   Can of tomatoes: farmer to canning company to wholesaler to retailer to consumer.

   Pound of fresh tomatoes: farmer to consumer; farmer to supermarket to consumer; farmer to wholesaler to retailer to consumer.

   A dozen eggs: farmer to consumer; farmer to wholesaler to retailer to consumer.

   Automobile tire: manufacturer to company store to consumer; manufacturer to wholesaler to retailer to consumer.

   Watch: manufacturer to retailer to consumer; manufacturer to wholesaler to retailer to consumer.

   Bunch of bananas: producer to wholesaler to retailer to consumer.

   Quart of milk: dairy farmer to processor (dairy) to consumer; dairy farmer to processor to retailer to consumer.

   Gallon of gasoline: producer to refinery storage to oil jobber to service station to consumer.

   Man's suit: manufacturer to retailer to consumer; manufacturer to consumer. (Wholesalers are seldom used.)

Box of candy: manufacturer to wholesaler to retailer to consumer; manufacturer to consumer.

5. The statement represents the principle of opportunity cost on which consumer decisions should be based. Since our money to buy goods and services is usually limited, we must often choose between two or more items which we want equally. We must give up one in order to have the other. If you eat a beautifully decorated birthday cake, for example, you give up the pleasure of keeping it to admire its beauty; if you keep it to admire, you give up the enjoyment of eating it.

Enriching Your Business Understanding, page 133

1. Since the consumer movement is a complex subject, the teacher may wish to divide the class into groups to trace its various aspects. The following sketch outlines the consumer movement.

   Generally speaking, the term "consumer movement" refers first to the growing awareness of consumers that their rights must be protected against unfair business practices, and second to their growing demand for such protection. This awareness and demand began to develop over abuses in the meat packing industry in the last part of the 19th century, but it did not gain enough momentum to be felt in our federal laws until the 20th century. In 1906 the Pure Food and Drug Act was passed and was replaced in 1938 by the Food, Drug and Cosmetics Act, which is administered by the U.S. Food and Drug Administration. Other legislated areas of consumer protection are administered by the Federal Trade Commission. These include the Wheeler-Lea or "Truth-in-Advertising Act" of 1938 and various acts passed between 1940 and 1959 requiring proper identification of wool, fur, flammable fabrics, and textile products in wearing apparel and furniture. Other protective acts were passed in the 1960's regarding motor vehicle safety, packaging practices, and credit information.

   In the early 1970's, several steps were taken by government relating to the welfare of consumers. At the federal level, the Office of Consumer Affairs, which had been established as an advisory agency to the President, became a part of the Department of Health, Education, and Welfare. Also, the Consumer Product Information Center was formed to serve as a headquarters for consumer information. Many state and local governing bodies also established consumer protection agencies. Besides legislative reform, the consumer movement has branched out in a number of other directions. These include consumer education programs, consumer testing agencies, consumer publications, consumer cooperatives, and women's consumer groups. All of these and related regulations help the individual consumer to the extent that the regulations can control abusive practices, but the consumer probably helps himself best by educating himself as much as possible about products before he buys.

2. Answers will vary according to the article of clothing selected. Recognition of resources used and their origin might be noted. Since so many students wear jeans, an interesting point could be made of the origin of denim, attributed to a town in France called deNimes.

3. (a) If a similar chair is on sale in a local store, prices can be compared to discover if Mrs. Harrington paid a fair price. If the chair is an antique, then value is largely a matter of personal preference, or what similar chairs can be sold for in the antique market.

   (b) Frequently very desirable merchandise can be purcahsed at relatively low prices at auction sales. However, the buyer should be thoroughly familiar with the kinds of merchandise and thus be in a position to judge adequately its quality. Then, too, a good auctioneer will capitalize upon the competitive spirit of bidders, and a bidder may be tempted to bid a higher price than he ordinarily would pay for an item purchased more leisurely. The buyer at an auction sale may have no opportunity to return an item that he finds to be unsatisfactory for his purpose.

4. Answers to this will vary according to the locality and the store selected. Some reasons for the differences in cost are: (1) the small packaging and dispensing devices necessary for vending machines increase costs; (2) supermarkets buy and store larger quantities at lower cost than vending machines will hold; (3) vending machines must be serviced frequently; and because money must be handled, bonding insurance usually is purchased, adding to costs; (4) competition among supermarkets tends to regulate price.

5. The remaining one third of GNP represents purchases by the two other sectors of the economy: business and government.

6. (a) Your high school football team acts as a consumer when it buys helmets, uniforms, shoes, towels, and a bus to take the team to the games.

   (b) The ecology club buys advertising in the local newspaper to announce its collection dates, gas for the truck to make the collections, and account books to keep records of its activities.

(c) The city of Chicago buys supplies for its offices, uniforms for its police, and power from the utility company to light the city buildings and streets.

(d) The police department of your city consumes office supplies, power, water, cars, gasoline, and uniforms for its members.

(e) The federal government buys sand, gravel, and cement for highways; food to distribute to school lunchrooms; ranger services for national parks; and ships and planes.

(f) A hospital buys linens, medicine, beds, buildings, telephone service, and the medical services of doctors and nurses.

(g) A church buys power, water, hymnals, candles, the services of a choir director, and maintenance supplies and services.

Part 12

FINDING CONSUMER INFORMATION

Learning Goals

1. Recognize that becoming an informed consumer requires effort to learn what sources are available and how to find and use the information.

2. Identify the features of a good label.

3. Know when to consult a specialist.

4. Be able to analyze advertising to determine which information in advertising is useful to a buyer.

5. Identify the major organizations and agencies which provide services to consumers.

Suggested Teaching Procedures

1. This part emphasizes a concept which will be developed in Part 14: The right to be informed is an empty promise unless the consumer assumes the responsibility to become informed. Being informed is a quality which cannot be bestowed--the individual must make the effort. This point cannot be too strongly emphasized. With this basic concept understood, the student will better appreciate the content of this part.

2. Use the questions on pages 63 and 64 in the workbook to have the students evaluate their own understanding of their reading of Part 12.

3. Most of the students will be able to handle the Applying Your Business Knowledge activities; a few might need guidance in the library research involved in activity 5 on page 144.

   Activity 3 should provide interesting illustrations and discussion. Students usually enjoy analyzing ads. Have the students mount their ads and analyses neatly for bulletin board display. Transparencies might be made with some of the examples brought in. The teacher should be careful to recognize even marginal attempts of the analysis by the lower-ability students in order to encourage them. Supplementary Activity B in the workbook may be a good introduction to the analysis of information in ads used prior to the appeals analysis.

   Activity 4 is a familiar one in many cities. It should help the students become more alert in recognizing possibilities of unscrupulous business practices. Looking at ads in the Yellow Pages of the telephone directory will show what types of information this source reveals; but it should be emphasized that this source alone is not always reliable as almost any business can place such an ad. A representative from the Better Business Bureau might be invited to the class to talk about this and other cases where the consumer questions the reliability of the firm.

4. The Enriching Your Business Understanding activities, as usual, are designed to motivate and extend the abilities of the more able students. Most involve research or collecting and interpreting certain items. Activity 4 might be assigned to groups, however, giving every student an opportunity to participate. Five groups could handle one advertising appeal each. Bulletin board displays would be a good way to share the findings of all groups with the class.

   Activity 6 is intended to emphasize local sources of consumer information. For many consumers, only local consumer aid is really meaningful. The teacher might approach the study of sources of consumer information by putting this sequence of questions to the class:

   (a) What sources of information are available to us by reading or listening, (e.g., labels, newspapers, television, radio) without the assistance of others?

   (b) What sources are available to us in our city?

   (c) What sources are available in our state?

   (d) What sources are available to us elsewhere in the nation, including the federal government?

5. Supplementary Activity A is designed to make the student aware not only of the type of information included on a fabric label, but also of the responsibility to read the label and follow its instructions in caring for the product. This problem might be followed by Enriching Your Business Understanding activity 3 on page 146 in the text. In this way, the information on several could be examined for comparison. Ask whether any students have had an unfortunate experience resulting from failure to follow care instructions on the label.

6. Supplementary Activity C extends the concept of values as a determinant in individual consumer decisions to our values as a nation. This is an important concept and should stimulate a lively discussion. The monetary

evidence of our national decisions is shown in our federal budget. Debate on local and state allocations of funds is often in the news. Such topics provide timely material to discuss the way we express our values as groups--city, state, national--by the budget our elected representatives approve. Open council meetings to discuss the budget prior to its official implementation often bring out groups of citizens to approve or oppose certain expenditures, thus expressing their values. Finally, values are expressed when the citizen votes for a representative who he believes will more often carry out the citizen's values in his official duties. An elected official might be invited to the class to discuss this concept.

7. In the discussion of labels, use Transparency Master 12-1 to show the trend toward coded pricing through the use of the Universal Product Code. Ask the students to bring in samples of UPC from packages they have purchased at the supermarket. Have them discuss the problems which might occur when the price is no longer stamped on the product, as is the case in some stores where UPC is used. Advantages and disadvantages of UPC might be discussed; the students might be asked to list ways in which the consumer can carry the knowledge of product price from the shelves to the checkout counter.

8. Transparency Master 12-2 helps students to analyze reasons for making purchases at particular stores.

Other Sources of Information

Advertising, filmstrip/record. Purposes of advertising and how ads are developed. Fulton Center, 228-8046.

Better Business Bureau of Central Ohio, Inc., 221-6336.

Ohio Commerce Department, Consumer Protection Division, 466-8760. Obtain fact sheet on unsolicited door-to-door sales. Individual has 3 day period to cancel a contract signed under these conditions.

Advertising and the Consumer, chapter 3 in For the Consumer, pp. 17-25. Fulton Center, 228-8046.

Refer to number 4 of Teaching Procedures
(b) Columbus Office of Consumer Affairs, 461-7397.

Franklin County Cooperative Extension Service, 469-5595.

Franklin County Prosecuting Attorney, 462-3520.

(c) Ohio Agriculture Department: Analytical Laboratories, 866-6361, and Consumer Information Center, 466-8383.

Ohio Attorney General, Consumer Frauds and Crimes, 466-8831.

Ohio Commerce Department, Consumer Protection Division, 466-8760.

(d) Federal Information Center, 221-1014.

Obtain following items from Fulton Center, 228-8046:

Labels on Food and Clothing, a Learning Activity Package.

Modern Trends in Consumerism and Product Safety, Supplement One, Grolier.

Read the Label, Set a Better Table, movie (10 minutes). Cartoon type, nutrition information.

Refer to number 6 of Teaching Procedures
Columbus City Council, clerk 461-7316.

Ohio House of Representatives, members telephone 466-2312.

Ohio Senate, members telephone 466-4884.

Ohio Legislative Public Information Office, 466-8842.

Refer to number 7 of Teaching Procedures
NCR Corporation has a program of information on the Universal Product Code. Regional Office, 481-8341.

Improving Your Business Vocabulary, page 142

1. label
2. grade

Understanding What You Read, page 143

1. Some of the things labels may show are grade, size, weight, freshness date, manufacturer's name and address, description of contents, origin of material, use and care instructions, nutritional information, and seals of approval.

2. The grade indicates the quality or the size of a product.

3. The USDA shield means that the product has been inspected and approved by the U.S. Department of Agriculture.

4. A specialist knows what to look for in a product to tell whether it is of the quality claimed for it. A consumer who is buying a complicated or a very expensive item, especially for the first time, may not know enough about the product to make a wise decision about its quality. A specialist can give advice based on knowledge and experience. A doctor can advise about medicines; an auto repairman, about cars; or a painter, about paints.

5. Advertising can inform you about new products and services. Ads can provide information about what a product is, how it is made, and what it will do. The consumer, thus, can use advertising to help him get the best value for his money.

6. Private product testing agencies help the consumer by testing consumer goods and reporting on their quality. They also give ratings on competing products based on performance.

7. Magazines and newspapers help consumers become better informed in several ways. Some magazines test and rate products. Some newspapers run weekly columns on "best food buys" written by home economists. It might also be noted that occasionally both media carry articles on such consumer interest subjects as how to shop for credit, what to look for in a used car, and how to make sound investments.

8. A product displaying the Good Housekeeping seal has been tested by the magazine's publishers and found to meet their standards of performance and quality.

9. Radio and television, like newspapers and magazines, are sources of consumer information. Many stations carry regular programs about product safety, care and use of products, and shopping tips such as best food buys of the week.

10. Among the ways the Better Business Bureaus aid consumers are: (1) promoting truth in advertising; (2) providing information about companies which have been reported for unfair business practices; (3) publishing Consumer Tips and Facts pamphlets, which help the consumer become informed about products and services.

11. There are many government sources of consumer information. Among the major ones are the Consumer Product Information

Center, the Department of Agriculture, the Federal Trade Commission, and the Office of Consumer Affairs.

Applying Your Business Knowledge, page 143

1. With the popularity of sound equipment today, teenagers should have little trouble obtaining reliable information about a portable stereo. The sources include: other owners; salespeople at stereo shops; stereo magazines; Consumer Reports, Consumers' Research Magazine or other consumer magazines; catalogs and advertising pieces from manufacturers.

2. A specialist might be consulted before purchasing any of the articules. Most young people would probably need the advice of a specialist before buying a used car or a new motorcycle. Both are complicated and expensive and may have problems the average buyer may not see. The radio probably would be selected without a specialist's advice on the basis of size, design and special features preferred by the teenager. A young person who water skis probably could judge the condition of the used skis.

3. Answers will vary. The reports could be summarized and the results used for a bulletin board. The board might display some of the ads and the major points in the analyses.

4. Mr. Colberg could call the Better Business Bureau to see if the firm had been reported for unfair business practices. He can check the classified telephone directory to see whether the firm is listed; ads on these pages often tell the length of time a firm has been in business. He can ask the firm what the regular rate for the job is. He can also call other roofing firms to get their prices on the job for comparison. The most important action for Mr. Colberg is to avoid signing a contract until he has investigated the matter.

5. Answers will vary. Examples are: (1) Consumers' Research Magazine, which shows results of products tested by Consumers' Research, Inc.; (2) Consumer Reports, which shows similar information from Consumers Union; (3) A Consumer's Guide to USDA Services, showing the services of the Department of Agriculture; (4) Consumer News, which discusses topics of consumer interest; published by the Office of Consumer Affairs.

6. (a) Fresh milk should have a dated label because it is perishable.

   (b) A pencil would not be dated because its usefulness does not decrease with age.

(c) Medicine should be dated. It may deteriorate and even be dangerous after a certain length of time.

(d) Chewing gum should be dated because after a period of time, its quality may decrease and consistency change. However, gum is usually not dated.

(e) Lettuce probably would not be dated because its quality can be determined visually.

Enriching Your Business Understanding, page 145

1. Answers will vary. Examples are:

Item	Seal	Meaning
Meat, foods	USDA	Inspected and approved by USDA
Electrical appliances	UL	Tested and approved for safety by Underwriters Laboratories, Inc.
Gelatin desserts	Good Housekeeping	Tested and approved by the publisher
Toys	Parents' Magazine	Tested and approved by the publisher
Medicines	FDA	Inspected and approved by the Food and Drug Administration

2. Answers will vary. Students might note that standards for some food products are regulated by the USDA. Trade associations also often set standards for such manufactured products as tires and home appliances. This problem might be good for committees, each group investigating one or two items and sharing the findings through class reports or bulletin boards.

3. Students might select a variety of labels. It should be noted that permanent-care labels on clothing should show the content of the material and give directions for cleaning it. If certain cleaning methods would be harmful, this should be shown. On some articles, labels will state "Do not wring; drip dry only;" "Do not wash in hot water," "Do not dry clean."

4. A variety of interesting answers are possible. Ads illustrating each of the appeals are plentiful. Students might also be allowed to describe ads from radio or television which illustrate the appeals.

5. Different answers will be given. Consumer news stories often discuss legislation affecting consumers, recall of

of products for safety checks, or the appointment of individuals to consumer agencies. Consumer columns often appear daily or weekly. They may help solve consumer problems, such as "Hot Line" or "Action Line" columns. They may present food buys of the week. Some give recipes to show how to prepare meals economically.

6. Answers will vary with the community. Here are examples:

Agency	Example of information available
Cooperative	Products or services available to members
Cooperative Extension Service	Advice on canning, gardening
Better Business Bureau	Pamphlets on products and services, such as Facts
Federal information center	Consumer publications on products and services published by federal agencies
Municipal consumer agency	Information about consumer rights and whether they are being violated
State consumer agency	Information on state laws protecting consumers

7. Ingredient and nutritional labels are usually found on such products as cereals and processed foods. Listing ingredients helps consumers who have allergies avoid products containing material which may be harmful to them. Nutritional labels are designed to help consumers become knowledgeable about balanced diets. Both labels are intended to promote good health; whether a student feels that the government should or should not regulate in this area depends upon individual values.

Part 13

BECOMING A SHARP SHOPPER

Learning Goals

1. Realize that careful shopping results in receiving value for the use of income and time and energy expended.

2. Be able to identify and discuss the problems involved in buying in a hurry and on impulse or whim.

3. Understand the meaning of the word "sale" in obtaining a good bargain.

4. Demonstrate how the use of labels, brand names, and the seller's reputation can aid in careful shopping.

5. Be able to use unit pricing as a tool of comparative shopping.

6. Show the relationship of value to price.

Suggested Teaching Procedures

1. This part asks the student to translate the concept of wise consumership into a set of practical, everyday buying guidelines. It can best be taught by using the local buying situations of the student, since marketing practices vary in different urban areas and socioeconomic situations. When possible ask students how they think others might react living in a different environment from theirs.

2. As a change of pace as well as for checking students' buying skills before studying this part, use the checklists on pages 69 and 70 in the workbook as a pretest. Have the students record their answers by number on a separate sheet. Collect them, but don't announce your post-test plans to the class. After the part has been completed, have the students respond to the checklists again and compare with their pretest answers. It is usually not advisable to grade the checklists; but a tally of pre- and post-test responses will disclose weaknesses in the lesson and points which need additional individual and group attention.

3. When discussing Applying Your Business Knowledge activity 3, be sure to distinguish the great differences between the true discount store with low prices, limited stock, and few services, and the so-called discount stores,

which are really variety stores with large assortments of low-price-line departments. Be sure students also understand that the words "discount" and "cut-rate" may mean nothing since full-service retailers often sell certain items at about cost in order to attract trade or meet competition.

4. Analyzing the statement in Applying Your Business Knowledge activity 2 should impress upon the student that the "best buy" is not always the top quality. The anticipated use of the product will dictate the quality desired; a purchase properly based on this use/quality relationship will render any higher quality purchased a waste of money. Enriching Your Business Understanding activity 2 and Supplementary Activity F in the workbook can be assigned in conjunction with activity 2.

5. Another way to emphasize the value/price relationship is presented in activity 4 of Applying Your Business Knowledge. As an introduction, ask the students to compare two restaurants in which they have eaten which are very different. Most probably will choose a fast-food chain outlet as one of these; perhaps a hotel or motel dining room while the student was on a family trip will be the other. Have the students compare food, price, service, environment, etc.; then discuss the factors which they think accounted for the difference in prices.

6. The Solving Business Problems are designed to improve the student's ability in consumer math. Problems 1, 2, and 3 on pages 157-158 are relatively simple mathematical approaches to consumer buying problems. Problem 4 is designed to dispel the myth that large-quantity buying is an automatic way to save. This is also another opportunity for the teacher to discuss the designation in metric of weights and measures on more and more food packages.

7. This part gives much attention to the question of what the word "sale" means. Merchants may be invited to discuss the topic. Also, ask students to search for various uses of the word "sale" in ads they see or in shop windows. They may also wish to ask the local governmental-unit attorney or Better Business Bureau what the local law is regarding the use of such terms as "fire sale" and "going-out-of-business" sale.

8. Enriching Your Business Understanding activity 1 on page 158 of the textbook is designed to enhance the student's understanding of unit pricing. This activity would be appropriate for group work. Each group could visit a different store and interview its manager, thus avoiding

duplication of effort. This would also provide a simple survey of area stores. The results could be used for reporting and comparing the findings in class. Supplementary Problem E in the workbook will help the student understand that unit prices are based on different standard units for different products. The group technique could also work well with Enriching Your Business Understanding activity 3.

9. Supplementary Problem B provides the student an oppor- to subject purchase plans to the rules for buying presented in the part. While the set of rules is flexible enough to cover any purchase, some rules would be of greater concern than others for certain purchases. Justifying each answer will enhance the student's understanding of the rules. This problem would provide a good review of the part.

10. As an interdisciplinary teaching situation, consider asking the distributive education instructor to have that class conduct a survey of their customers to determine what proportion violate the guidelines for shopping listed in this part. The DE students might also be asked what they do to help the customer buy more wisely and return for repeat trade.

11. Transparency Master 13-1 can be used to illustrate unit pricing after a discussion of the concept presented on page 154 of the text. The students, with the display of unit prices for peanut butter, should be able to point out quickly that, judged solely on price, the largest size house brand is the best buy. It should be noted, however, that the least expensive unit-price items are not necessarily the best buys; e.g., if only one person in the family eats peanut butter and sparingly at that, the spread may go stale if bought in such large quantities. The result would, including spoilage, be a much higher unit cost to the buyer.

12. After discussing the eight general rules for buying presented in the text, use Transparency Master 13-2 to illustrate further the techniques that can be used by sharp shoppers to save on purchases.

13. "Harry in Consumerland!"--Duplicate the cartoon and/or questions which precede it. Each student should have a cartoon; however, the teacher may or may not find it necessary for each to have a set of the questions before him. In some cases, writing the questions on the blackboard may be sufficient.

    Give students enough time to look at the cartoon before any directions are given. Then in a class discussion have students answer the questions.

Remind the students that Harry is surrounded by shops. Each shop is competing to obtain his money; the displays beckon Harry to spend money. The great array of shops and signs is typical of that which confronts consumers in the marketplace. The teacher should note that the words in heavy black print are words which typically attract the consumer's eye.

Questions:

1. What appears to be Harry's most critical need? Explain.
2. What type of alternatives seem to be attracting Harry to spend his money?
3. Make a list of suggestive words used to persuade Harry to spend his money.
4. Does the amount of money Harry can spend play a part in what should be purchased? Explain.
5. What other considerations should Harry take into account before he purchases? Explain.
6. Explain what you feel Harry should purchase. Why?

Ask students to relate to the class any situation in which they found themselves that was similar to Harry's situation?

Other Sources of Information

Contact Ohio Attorney General, Consumer Frauds and Crimes, 466-8831 for Ohio laws on sales practices. Ask for "Comparison Shopper" device for determining costs per ounce of products.

Obtain following from Fulton Center, 228-8046:
Xerox booklets: How to Buy Food, How to Buy Clothing.
Grolier booklets: Buying Food, Buying Clothing.
Coronet: Consumer at Large - everyday shopping savvy, filmstrips/records, and Consumer Sense, cassettes only.
Guidance Associates filmstrips - Learning to be a Wise Consumer, Buyer Beware, and Money Well Spent. (Last two should be in junior highs except new buildings.)

Improving Your Business Vocabulary, page 156

1. promotional sale
2. clearance sale
3. special-purchase merchandise
4. impulse buying
5. brand name

6. house brand
7. unit pricing

Understanding What You Read, page 156

1. By postponing a purchase, the consumer may save enough to pay cash or to take advantage of a sale. He also gives himself a chance to look for the best values and may avoid buying something he really does not need.

2. A merchant might reduce the price of strawberries in order to prevent or decrease the loss he would suffer if the berries spoil.

3. A genuine sale offers items at a lower price than they normally sell for.

4. In a promotional sale, a merchant tries to stimulate sales of a new line or of his regular merchandise by temporarily reducing the price. In a clearance sale, the merchant reduces the price of stock that he no longer wants.

5. Special-purchase merchandise is merchandise bought by a merchant for a particular sale. It may include goods bought from a merchant who is overstocked, goods that are no longer to be made, or stock of a company which is going out of business.

6. Sharp shoppers look for sales which are genuine and which are truthfully advertised. They should also know the regular price of the item so they can buy only those things which really save money.

7. Most impulse buying is costly. Impulse buyers tend to buy things they don't really need, and often do not get the best value.

8. Recognizing brand names helps you as a shopper because you learn to expect uniform standards on brand name products, regardless of where they are bought. Brand names also help in comparison shopping for a product at several stores. Also, brand-name items often have better guarantees behind them.

9. House brands are brand names used by the company which sells the merchandise.

10. Unit pricing helps the shopper compare value among various brands and sizes of the same product. If you know the price of one unit of a product, you can better compare prices, regardless of the cost of the various packages.

Applying Your Business Knowledge, page 157

1. Even though you know exactly what merchandise you are looking for, buying from a merchant whom you can trust is important. Even in the best lines of merchandise, a defective product sometimes is sold. In such a case, a merchant whom you trust will likely show a personal interest in seeing that the defective product is repaired or replaced.

2. If you wanted to paint a tree house for your kid brother, you would not need the highest quality paint. Or if you're learning to play tennis, you probably won't need a top-quality racket to begin.

3. (a) No.

   (b) Discount stores and cut-rate stores sell a variety of merchandise at reduced prices to a great many cusumers. Students may or may not recommend shopping in these stores, depending upon their experiences; their answers will therefore vary.

   (c) A sharp shopper will shop at a discount or cut-rate store as he does at any store--by following the rules of wise buying. He should compare prices and values and shop where he gets the best buy.

4. (a) People have different preferences for eating; the restaurants appeal to different tastes.

   (b) At Hearthside Restaurant, people might be able to enjoy more leisurely dining than at the Greenhills Coffee Shop. Hearthside might provide tablecloths, cloth napkins, candlelight, and entertainment. Greenhills may specialize in fast, functional service on plain tables with paper napkins.

   (c) People who eat at Hearthside are not necessarily poor money managers. If they plan their spending to accommodate an occasional dinner at a more expensive restaurant, they might even be better money managers than those who do not do so. On the other hand, if people who eat at the more expensive restaurant do so at the expense of more important and beneficial uses of their money, they probably would be poor money managers. Individual values as well as costs must be considered.

Enriching Your Business Understanding, page 158

1. Answers will vary. Many chain supermarkets require their stores throughout the country to display unit pricing. Often the unit price is shown on the edge of the display

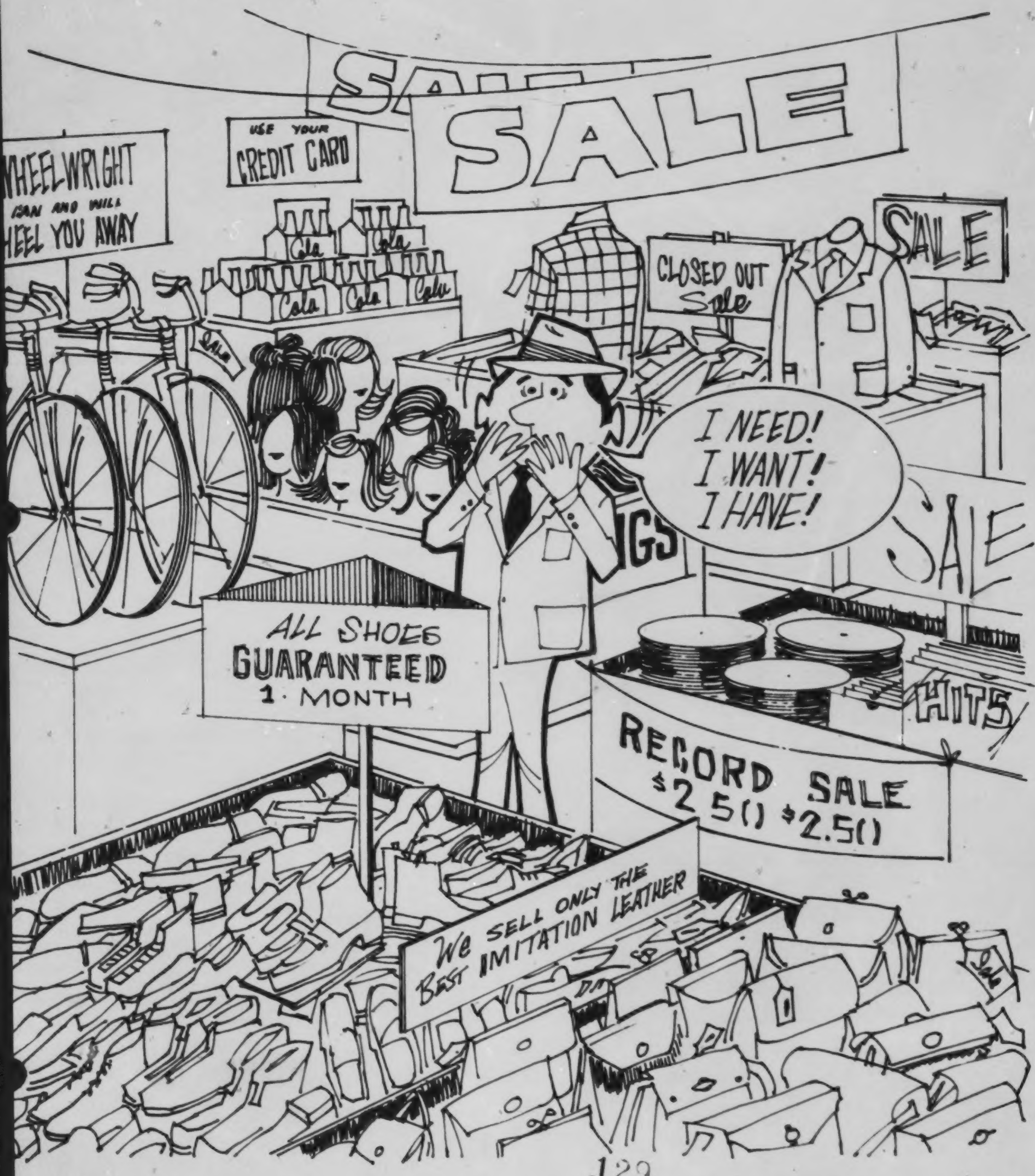
rack on which the product is stocked. Some products show unit cost on the package.

2. Choices and reasons will vary. Representative answers might show:

Article	Quality	Reason
a. Outdoor paint for home	Higher	For appearance and durability
b. Tires for brother's car	Lower but acceptable	Adequate for safety in limited driving
c. Tie for sport coat	Higher or Lower but acceptable	If coat is knockabout coat, high quality tie not needed
d. Wallet for father	Higher	For durability in his sales work
e. Ballpoint pen	Lower but acceptable	May get lost

3. Students will give varied answers. Many house brands as well as brand-name items will be shown in a range of grades and prices. Some house-brand products might have less expensive packaging or less ornate labels.

HARRY IN CONSUMERLAND
OR
A HARRY PROBLEM?


SALE
SALE
USE YOUR CREDIT CARD
WHEELWRIGHT CAN AND WILL WHEEL YOU AWAY
Cola
CLOSED OUT Sale
SALE
I NEED! I WANT! I HAVE!
SALE
ALL SHOES GUARANTEED 1 · MONTH
HITS
RECORD SALE $2.50 $2.50
We SELL ONLY THE BEST IMITATION LEATHER

Part 14

YOUR CONSUMER RIGHTS AND RESPONSIBILITIES

Learning Goals

1. Recognize that rights and responsibilities are incumbent upon both the buyer and the seller in any business transaction.

2. Know what consumer rights are, how to protect the, and how to seek redress when these rights have been violated.

3. Know what consumer responsibilities are and recognize the values which accrue to consumers as a result of carrying out these responsibilities.

4. Cite government and private sources which protect consumer rights and provide aid when the rights have been violated.

Suggested Teaching Procedures

This part emphasize the point that rights and responsibilities are inseparable concepts of consumer protection. For example, partially as a result of the consumer movement, more and better product information has enhanced the consumer's right to be informed; but the benefits which actually accrue to the consumer are in direct ratio to the degree to which the responsibility to get and use the information is carried out. Also, the point should be made that consumers have as great a responsibility to be honest with business as they expect business to be with them. Rights and responsibilities cannot be considered as independent tenets in a market economy.

1. The checklists on pages 75 and 76 of the workbook can serve as an ungraded checkup on the students' understanding of the content of this part in the textbook. As noted in previous parts, these checklists can also be used as prechecks and postchecks. It is not recommended that they be used as tests; they are designed as study guides.

2. As suggested in Part 12, the students should become acquainted with local sources of consumer aid, then branch out to state and national sources. If there is a local consumer protection agency, invite the director to speak to the class describing its services. Ask the director to bring samples of printed educational material which the agency may distribute. Enriching Your Business Understanding activities 4 and 5 on page 171 in the textbook

provide suggestions for sources to call upon in the community. In many cities, it may be possible to invite a Better Business Bureau representative to speak to the class. To find the nearest Bureau office, the teacher could write to the national headquarters (Council of Better Business Bureaus, 1150 Seventeenth Street, N.W., Washington, DC 20036). Supplementary Activity A in the workbook can also be used to emphasize local consumer protection.

Transparency Master 14-2 can be used to summarize sources available to the purchaser of goods and services in protecting consumer rights. Wherever possible, local and state offices should be given as examples of the agencies shown on the transparency.

3. In connection with studying local sources, the teacher might contact the local chamber of commerce. A representative could be invited to explain to the class the program that business has for carrying out its responsibilities to consumers. The Business-Consumer Relations Code shown on page 167 of the text should be reviewed prior to the speaker's visit to the class. Supplementary Activity D in the workbook can also be used to show how businesses try to improve consumer relations.

4. Applying Your Business Knowledge activity 2 on page 169 of the textbook can be used to illustrate the relationship of the consumer's right to be informed and responsibility to be informed. The point should be made that even though the information was furnished on the label as required by law, it does not help the consumer who does not read it before washing the garment. The discussion regarding the claim should lead to the consumer's responsibility to be honest.

5. Applying Your Business Knowledge activity 3 is also designed to help the students examine their rights and responsibilities in certain purchasing cases. In the first item the students should consider the difference between fraud and sales puffing. Remind students that they must question the salesperson thoroughly in order to obtain sufficient information for making a wise purchase; they should not rely on generalities, puffery, or value judgements of the salesperson as the basis for their decision. Item c of this activity might be considered together with Applying Your Business Knowledge activity 1, contrasting the actions of the two types of merchants.

6. Enriching Your Business Understanding activity 1 presents a problem which is reaching alarming proportions--shoplifting. Some young people who have been caught shoplifting have said that they did so "for kicks" or "on

a dare." Teachers should impress upon the students the seriousness of shoplifting as a breach of law. As important, and often more impactful, is the dollars-and-cents approach to shoplifters: the cost to all consumers in terms of higher prices is the inevitable result. Newspapers and magazines often report the losses suffered by businesses through theft. For example, U.S. News and World Report ("More and More Businesses Stolen Blind" June 16, 1975, p. 28-29) reported that theft in the retail industry increased 21 percent between 1971 and 1974. While national figures are staggering, students may be more impressed by the local situation. A representative from such local organizations as the Retail Merchants Association or a food dealers trade association might be able to provide helpful information on the topic.

7. To further aid students in recognizing fraudulent and puffing sales tactics, have them role play several seller and purchaser situations. After each case is presented, have the class identify evidence of fraud or examples of puffery and give reasons. Supplementary Activity B in the workbook will suggest ideas for develoling role-playing dialogue.

8. Ask students to describe the meaning of the statement that sometimes "we blame the seller for our poor purchases." Ask for examples of how we sometimes buy less quality than we need or buy hastily and then sometimes charge "misrepresentation" to justify a return. This application emphasizes the need for responsible purchases by the consumer as well as responsible merchandising by the seller.

9. Several opportunities are provided to have students develop bulletin boards or displays. Stories can be collected from the press about consumer protection and legal actions involving consumer rights. Guarantees and labels are other "collectibles," as noted in Enriching Your Business Understanding activities 2 and 3 on page 171 of the textbook. Some type of analysis or evaluation should be a part of each "collecting" activity to make the exercise meaningful.

10. Enriching Your Business Understanding activity 5 requires the student to know rights under certain sales conditions. To protect the consumer from the increasing amount of unordered merchandise sent out through the mails, from bait-and-switch advertising, and from high-pressure door-to-door sales tactics, recent laws have been passed which the student should know. The class might be divided into three groups, each to research and report on one of the three items.

11. Determine if the current press is carrying news articles about the need for increased licensing of individuals and businesses to sell certain goods and services (see Applying Your Business Knowledge activity 4). Ask students to identify any businesses not now licensed in their area which they think should be required to have a license. Students should be required to support their responses with objective information instead of personal opinions. At times, groups appear before their town councils to oppose or support an application for a business license. The teacher might clip news stories relating to these debates for use in discussion of licensing in the community and its impact on the consumer.

12. Use Transparency Master 14-1 to launch a discussion on the changing mood of the consumer. Ask the students whether there are both rights and responsibilities implied in the predicted consumer attitudes. An example: The right to be heard is implied in the "more likely to complain" consumer attitude; at the same time, also implied is the responsibility to complain reasonably.

13. Have the students deal with the questions associated with the following situation: Sally, Amanda, and Judy decide to go to the local department store to try on some new skirts that were advertised in the newspaper. Sally has a very limited amount of money to spend on clothes. Both are excellent dressmakers, so Sally has a wide variety of clothes. The skirts that Sally is trying on are expensive. The cost of one skirt would equal the cost of enough material to make several skirts. Sally has enough money to buy one of the new skirts. What do you recommend that she do? Why? What influenced your decisions?

    Amanda has her mother's charge card and has been given permission to spend a set amount on a new item of her choice. The amount specified does not quite meet the cost of the skirt. As she is trying on one of the skirts, she accidently tears the material. It could be repaired, but it is a noticeable tear. As a responsible consumer, what should she do? Why? What influenced your decisions?

    Judy is also trying on skirts but she wants a skirt that can be washed and not ironed. There is no label indicating what kind of care the skirt requires. The other girls are in a hurry to leave. Judy likes the skirt she has chosen very much, but the clerk who was waiting on her is not available at the moment. What do you recommend Judy should do? Why?

You are the clerk in the store the girls are shopping in. What rights and responsibility do you have as the producer of a service?

Other Sources of Information

Refer to number 2 of Teaching Suggestions.
Administrator, Columbus Office of Consumer Affairs, Mrs. Dorothy Teater, 461-7397.

Better Business Bureau of Central Ohio, Inc., 221-6336.

Obtain following from Fulton Center, 228-8046:
Warranties and the Consumer, filmstrip. Association of Home Appliance Manufacturers.

Anatomy of a Sale, filmstrip. Sears.

Irresponsible Consumer, slides. Iowa.

To Buy or Not to Buy booklets. Random House.

Redress, Penney's Insights Into Consumerism Kit.

Obtain information from distributive education teacher who has developed special program on the cost of shoplifting to all consumers (over $150 annual cost per family unit in Columbus area. What could you do with $150?) Or contact Franklin County Prosecuting Attorney for booklet White Collar Crime or similar publication, 462-3520.

Improving Your Business Vocabulary, page 168

1. fraud
2. guarantee
3. monopoly
4. class-action suit
5. trade association

Understanding What You Read, page 169

1. The four basic rights are: (1) to be informed, (2) to be safe, (3) to choose, and (4) to be heard.

2. The four basic responsibilities are: (1) to be informed, (2) to be honest, (3) to be reasonable in complaining when rights are violated, and (4) to report unethical business practices to protect other consumers.

3. Probably the most important responsibility is to be informed.

4. Examples of consumer dishonesty are: (1) returning merchandise that has been damaged and claiming that it was defective, (2) buying unauthorized merchandise with government food stamps, (3) collecting money for coupons without buying the product, (4) shoplifting, (5) failing to report at the checkout counter an error in the consumer's favor.

5. Complaining in a reasonable way means recognizing that the goal is to get the unsatisfactory purchase corrected. To do so, the consumer should be sure that there is a real cause for complaint and that he has followed directions for using the product. With the details firmly set, he should calmly explain the problem to the salesperson from whom he bought the item. Reasonable complaining also includes following through to successively higher levels of the firm's management until the complaint is handled fairly.

6. You should report businesses that are following unethical practices to protect other consumers from also becoming victims of the unfair treatment you have received.

7. Get a description of a product or service before you buy so that you will know what to expect of it. Only if you know the producer's claims for the product or service can you effectively use the product, judge its value, or know whether you have been defrauded.

8. Insist upon seeing a copy of the guarantee. You can require the store to put in writing any other guarantees that have been offered on the product. If the guarantee appears in an ad, keep a copy. Read the guarantee carefully to see what is covered and for how long. If you are asked to fill out and return a guarantee card, do so. Find out who will service the product during the guarantee period.

9. The FTC aids consumers in many ways. For one thing, it protects our right to choose by preventing unfair competition, which might result in monopoly power. The FTC also regulates advertising and encourages informative and truthful advertising.

10. Examples of ways in which government agencies help the consumer are:

    (a) The National Bureau of Standards tests goods, sets up standards, and controls weights and measures.

    (b) The Department of Agriculture sets up standards for grading farm products sold in interstate commerce. It also controls the processing of meats, inspects them, and stamps meat and meat products with grades according to their quality.

(c) The Food and Drug Administration makes sure that food, drug, and cosmetic products are not harmful to consumers and that labels of these products do not mislead the consumer.

(d) The Postal Service also helps protect consumers by investigating and stopping fraudulent use of the mails. Postal inspectors guard against such schemes as lotteries, sale of worthless stock, and fraudulent sale of land.

11. A trade association is an organization of firms engaged in one line of business. Many trade associations establish standards of quality for the manufacture of products by their members, set safety standards, and publish codes of ethics that the member businesspeople are urged to follow. Some trade associations serve as central complaint departments to resolve consumer problems that have been mishandled on the retail or manufacturer levels of the industry.

Applying Your Business Knowledge, page 169

1. Most merchants are honest and want to see that their customers are treated fairly. Also, a wise merchant knows that a satisfied customer returns to buy again.

2. No. Part of a consumer's responsibility to be informed is to read the information provided by the producer of the article. Because you did not follow the manufacturer's instructions to use cold water, you have no fair complaint.

3. (a) This is puffery, not fraud. A salesperson can legally puff up a product, and a sharp shopper would be on the lookout for this type of sales tactic.

   (b) If you followed washing instructions, the false claim is fraudulent.

   (c) If you had the salesperson's claim that the appliance was "completely washable," you would probably have a claim on the basis of fraud. The salesperson may have been more assuming or uninformed than intentionally dishonest, but he has made a false claim, nevertheless. Your problem as a consumer is proving that he made the claim to you about the product. A reputable merchant probably would try to work out a mutually satisfactory solution.

4. One reason state and city governments require some individuals and businesses to have licenses in order to sell goods and services is to prevent the sale of illegal or harmful items. Licensing also regulates the location in which goods and services may be sold and sometimes limits the number of merchants selling the item. Licensing also helps to enforce consumer health and safety standards, such as those set up for food caterers or building contractors. Licensing also provides income for the government. Licenses are issued to chiropractors, beauticians, door-to-door salespeople, pet groomers, and restaurant operators, among many others.

Enriching Your Business Understanding, page 170

1. Answers will vary. Shoplifting is a serious problem. A major point of emphasis is that it is a crime which increases the cost of goods and services for everyone. The merchant loses goods to shoplifters, has to employ security personnel to prevent the crime, and must devote time away from business to handle legal matters involved in prosecuting a shoplifter. To offset all these added costs, the merchant must increase the selling price on all products.

2. The students will collect a variety of guarnatees. Several might be selected and used to make a bulletin board. This exercise should enhance the student's ability to distinguish specific information from generalities.

3. The Fair Packaging and Labeling Act was passed in 1966, becoming effective the next year. Several laws regulating labeling preceded it. It is one of the principal laws administered by the FTC. As one of its provisions, it prevents false and deceptive advertising. There are several regulations imposed in carrying out this provision. The Act also provides that voluntary uniform packaging standards be established by industry. This encourages industry to go beyond the legal requirements to promote fair labeling and packaging.

4. Many states and cities now have Bureaus of Consumer Affairs. Most seek publicity about their services; where they are in operation they should be as easy to find as looking under the state or city government listings in the telephone directory. All attempt to protect consumers' rights and to get redress when rights have been violated. In addition, they also help to promote consumer responsibilities by providing information on various topics of consumer interest. These educational efforts are carried out in publications, on radio and television, in open

meetings, and in a variety of other ways.

5. Reports will vary, but should show these basics:

(a) The receiver has no legal responsibility for unordered merchandise, even though he uses it. A point of ethics might be discussed in regard to using the product.

(b) This is called bait-and-switch and is illegal. The consumer should report such practices to such agencies as the city attorney's office, the Better Business Bureau, or the local office of consumer protection.

(c) You have a right to cancel the contract. You have a 3-day period in which to reconsider any door-to-door purchase over $25.

RIGHTS

TO SAFETY	TO BE INFORMED	TO CHOOSE	TO BE HEARD	TO BE PROTECTED

RESPONSIBILITIES

EXAMINE SAFETY FEATURES FOLLOW DIRECTIONS REPORT UNSAFE PRODUCTS	ANALYZE ADS NEW PRODUCT INFO CHECK CARE INSTRUCTIONS	BE SELECTIVE RECOGNIZE LIMITATIONS BE HONEST TREAT MERCHANDISE WITH RESPECT	COMPLAINTS AND SATISFACTIONS SUGGEST PRODUCT IMPROVEMENT KNOW SOURCE OF ASSISTANCE	KNOW LAWS AND STANDARDS KNOW RIGHTS ACCEPT CITIZEN RESPONSIBILITIES SUPPORT VOLUNTARY ORGANIZATIONS

UNIT 5 PRACTICAL MONEY MANAGEMENT

Regardless of income level, all responsible people must decide how they will spend their income. Students may have income from allowances, gifts, and part-time jobs. Already they are encountering money problems that result from limited wants.

This unit is designed to encourage students to plan for effective money management. As students grow older, finish school, and obtain jobs, their income will increase, but so will claims against that income. Then, too, they just face a constantly changing price level caused by inflation or deflation. Helping students to recognize money problems and to gain some skill in solving them through effective budgeting, keeping adequate records of income and expenditures, and carefully analyzing their financial resources will enable them to practice good money management.

The objectives of this unit are to:

(1) Understand what constitutes good money management.

(2) Be able to set up and use individual, family, or organization budgets and records as a means of controlling financial resources.

(3) Understand the effect of changes in the price level on different kinds of investments.

PART 15

DECIDING HOW TO USE YOUR INCOME

Learning Goals

1. Understand the need to set both long and short-term goals for effective money management.
2. Realize that not only money income but also other resources are vital in achieving goals.
3. Become aware of the fact that for successful money management an individual, family, or organization, must learn to live within its income.
4. Identify those factors that make for wise buying, such as the urgency of the need, and whether or not an anticipated purchase will result in future expenses.
5. Understand that the careful use of possessions contributes to a lower cost of living.

Suggested Teaching Procedures

1. One of the most important concepts to be developed in this part is that one is able to have more things that are meaningful and is able to enjoy greater comforts by the careful planning of expenditures. Many individuals and families with good incomes but with careless spending habits often have a lower style of living than those with lower incomes but planned spending, saving, and giving. Raise the basic questions as to whether a person can actually acquire the skill of effective money management. Ask students if there are other skills of a similar nature that people have been able to acquire.
2. Emphasize the difference between long-and short-term goals through an illustration, such as a team which has a long-term goal of winning the state basketball championship, with a short-term goal of winning Saturday's game. Transparency Master 15-1 should be used in a discussion of goals.
3. Encourage the student to realize that there are resources other than money income that enable the achievement of goals.
4. Learning to live within one's income is a difficult thing to do at best, particularly if income is very limited. Point out that the amount an individual can earn (and thus spend in a given year if the person is to live within his or her income) is relatively fixed or stable. On the other hand, a government unit such as a town can raise new funds rather quickly through its borrowing and taxing power. In both cases, though, there are practical income and expenditure limits.

5. Particular emphasis should be given to the difference between "first costs" and "future costs." Motion picture cameras, pets, and automobiles are a few examples of items for which operating and maintenance costs may be far greater than the initial cost of the item. The teacher should invite students to give other examples and to make specific estimates of future costs for a few of the items mentioned. (See activity 3 of *Applying Your Business Knowledge*.)

6. Transparency Master 15-2 correlates with Illustration 15-3 on page 181 of the text to show portions of income typically spent by a family.

7. Point out the examples of increased costs due to the careless use of purchases given on pages 180-181 of the textbook. It is rather foolish to exercise great care in the purchase of tools, furniture, appliances, or automobiles and then neglect needed repairs or use the items carelessly. This is false thrift.

Emphasize the conservation of natural resources. Ecology is of growing importance to young people as well as to adults. Literature and films obtained from government and other sources may be used to illustrate the social values of thrift of our natural resources. Students may be able to cite from their own personal experiences examples of the waste of natural resources and of the need to conserve them.

8. Contributions, like savings, must be planned. The habit of giving small amounts regularly is generally preferred to the giving of occasional larger amounts.

9. In this part the concept of thrift, or good money management, is developed through the use of examples. Actually the concept of thrift is not a very popular one, because it is too often misunderstood. For this reason the definition of thrift follows the example given of good money management. The point is made that whatever we enjoy in schools, museum, parks, etc., has accumulated because of good management on the part of our forebears.

10. Emphasize the need to begin a savings plan early. A small amount saved regularly in some form amounts to a great deal within a few years. This plan of saving regularly is much preferred to "saving when I have something left over," because seldom is anything ever left over.

11. "Budgeting" filmstrip-Grolier, Supplement One. Fulton Center - 228-8046.

12. Ohio Environmental Protection Agency - 466-8972.

PART 15

DECIDING HOW TO USE YOUR INCOME

Improving Your Business Vocabulary Page 183

1. money management
2. goal
3. money income
4. real income

Understanding What You Read Page 184

1. Good money management involves:
   (a) Setting goals or deciding what is important to you.
   (b) Providing for basic needs.
   (c) Saving money for big expenses.
   (d) Choosing wisely what you buy.
   (e) Using the things that you buy properly so that you will get the most good from them.
   (f) Avoiding spending beyond your income.

2. The first step in money management is setting goals.

3. Age, place of residence, personal interests, and personal values are some factors that affect a person's goals.

4. Food, clothing, housing, transportation, medical care, and education, are some basic needs.

5. For the average family, the three areas of largest spending are food, housing, and income taxes.

6. Money income is the actual dollar amount earned by a person in a set period of time. Real income is the amount of goods and services you can buy with the amount of money you earn in a set period of time.

7. If prices rise faster than money income, real income decreases.

8. A major reason for the increase in our country's productivity is the rising level of education among our people.

Applying Your Business Knowledge Page 184

1. Often taxes and other living expenses are higher in large cities than in rural areas, due to the greater number of services provided by city governments. For

this reason, the Bergmans would probably spend a greater portion of their income on housing and taxes. The Mandrakes, on the other hand, have two children. They would then most likely spend a greater portion of their income on food, clothing, medical care, and education.

2. If Janet Kozman takes a job, she will probably need to buy some new clothes and will spend money on transportation getting to and from work. She also might need to pay a babysitter or nursery to take care of the Kozman's child. The Kozmans' food spending might also be increased for two reasons: First, Janet will probably eat lunch at a restaurant rather than at home. Second, since Janet will have less time at home, she may find herself spending more for convenience foods than she formerly prepared herself.

3. Common expenses in using these items are:
   (a) television set: installation charges, antenna, electricity, repairs.
   (b) camera: film, flash bulbs or cubes, film developing and printing, repairs.
   (c) sewing machine: sewing supplies, electricity, fabric, patterns, repairs.
   (d) minibike: licence, gas, oil, repairs.

4. The Oliver family may be having difficulty making ends meet because they do not practice good money management. They may not have decided their short-term and long-term goals. They may not be buying wisely; that is, they may be paying too much for their purchases or buying things they could just as well do without. They may not be taking care of their possessions. They may be making unnecessary large repairs or replacements in their home. They may be making unplanned or poorly planned contributions.

5. Any person who is now making only $500 more than five years ago has had to make some changes in spending or saving. The cost of goods and services has risen rapidly, and what once could be bought for $7,500 can not now be bought for $8,000. The person in the question would probably have to cut down spending on nonessential items first, and might have to make adjustments in saving and spending for basic needs.

Enriching Your Business Understanding Page 185

1. Retailers and manufacturers would certainly feel a cutback in their businesses if consumers suddenly cut their

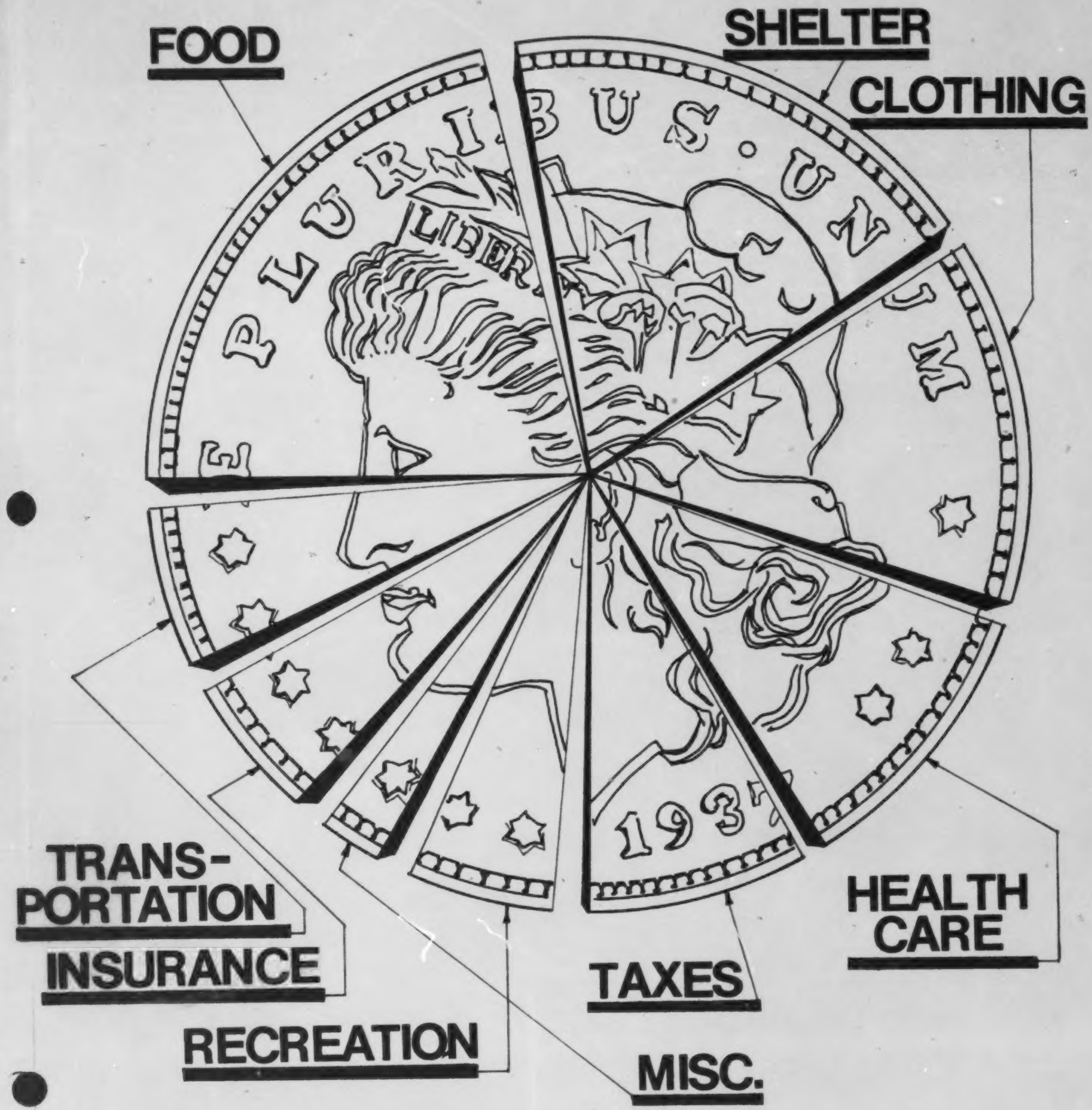
their spending. Also, presuming that people would save their money in banks or savings and loan associations, there would be probably a lowering of the interest rate due to greater availability of money.

2. Most students will probably agree with this statement. Few people would put into savings the entire amount of an increase in their incomes. And if a person has been observing correct money management practices, there would be no need to put an entire increase in income into savings.

3. This idea is not very practical. A person who saved all raises ever received would probably end up with a great sum of money but would not get much enjoyment from the money. Since prices usually increase from year to year, some of a person's raises would have to be spent to maintain current life-style. Someone who tried to keep spending constant over a long period of years would have to give up some expenditures that had formerly been possible.

4. As teenagers, the grandparents of students probably had one of the same money management problems that teenagers have today--not as much money as they would like to have. One of the differences, however, would be that many more products are readily available and advertised today that were scarce or nonexistent when students' grandparents were teenagers.

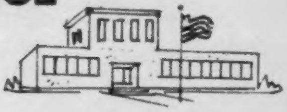
CONSUMER ALTERNATIVES


FOOD
SHELTER
CLOTHING
HEALTH CARE
TAXES
MISC.
RECREATION
INSURANCE
TRANS-PORTATION
E PLURIBUS UNUM
LIBERTY
1937

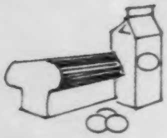
CONSUMER ALTERNATIVES

CAREER PROFESSION

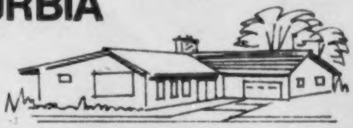
COLLEGE TRAINING SCHOOL



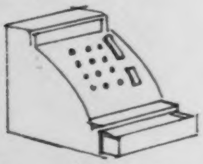
NEEDS WANTS



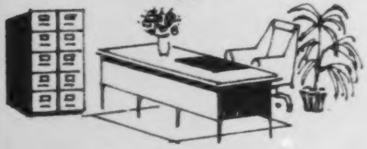
LIVE IN CITY LIVE IN SUBURBIA



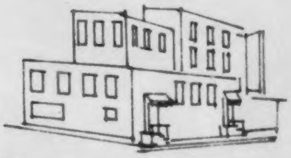
CASH CREDIT

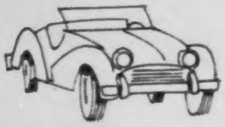


SPEND SAVE

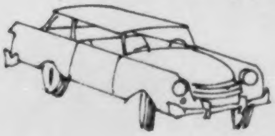


OWN RENT





NEW CAR USED CAR



PART 16

PERSONAL MONEY MANAGEMENT

Learning Goals

1. Appreciate that planning is essential to good money management and that a budget is a plan for saving and spending money.

2. Recognize that planning for regular savings as well as expenditures is important for good money management.

3. Develop the ability to prepare and keep a personal income and expense record.

4. Develop and maintain expenditure records as a basis for budgeting expense items.

5. Make a comparison of estimated income and expenses with the prepared budget.

6. Identify and make changes in a budget when necessary.

Teaching Suggestions

1. The practice of good money management requires more than a desire to make proper use of time and money. Money management plans must provide for the intelligent use of time and money and for the saving of reasonable sums of money. The purpose of this part is to discuss the preparation of reasonable plans, or budgets, for the use of money, as well as to present simple forms that a student might use in recording income and expenses and in comparing savings and expenses with budget allowances. Emphasize that careful planning is basic to and is a first important step in good money management.

2. Be certain that students understand that a budget is only a plan for--not a record of--income, expenditures, and savings. Have them examine Joni's budget on page 188 of the textbook. Ask students to give examples of other sources of income and other types of expenditures that a typical student might have. Point out that in a budget all anticipated income is appropriated either through expenditures or savings--all income is distributed for a purpose. Transparency Master 16-1 will help

students assess their own ideas about money management.

3. The student should understand that in the preparation of a budget the amount to be saved should be determined before allowances are made for such items as entertainment and personal expenses. Unless savings are provided for, there will be nothing available to save. Transparency Master 16-2 illustrates the skeletal elements of a budget. Point out that an identification of regular and irregular expenses must be determined before a total can be obtained. *Note:* regular and irregular expenses are defined on page 197, Part 17, of the textbook.

4. Beginning on page 189 and continuing to page 191 of the textbook, the steps followed by Joni Ramey in her record keeping are carefully enumerated. On the Income and Expenditure Record form on page 190 and on the Comparison of Savings and Expenses with Budget Allowances form on page 192, the circled numbers correspond to the numbered paragraphs in the textbook narrative. Students should find it easy to locate in the illustration the concept that is being discussed in the corresponding paragraph.

5. In teaching the comparison form on page 192, follow one item through a period of a few weeks so that it will be better understood. For example, in the first week Joni allowed 50 cents (1) for School Supplies. She spent 40 cents (2). She therefore had a balance of 10 cents (3) to carry over to the second week. During the second week she again allowed 50 cents (4) for this item. The amount carried forward, 10 cents + the budget allowance for the second week, 50 cents (3) + (4) = a total of 60 cents (5) available for School Supplies during the second week, and so on.

   Likewise explain that when more money has been spent for an item than was allowed, the amount of the deficit is circled. For example, note the 50 cents under Entertainment and Recreation (3). This amount must then be deducted from the budget allowance for the following week; thus in this case $3.00 (5) is available for Entertainment and Recreation during the second week.

6. No budget is perfect, particularly when it is one's first try. Point out that the use of the comparison form will assist the student in modifying bud-

geted amounts. On the other hand, caution against making budget changes too quickly. The student should not expect all expenditures to be exactly those recommended by the budget. An item which exceeds the budgeted amount one week may be compensated for the following week. The teacher may need to give the student some buidance at the time Joni Ramey changes her budget allowances in problem 1 of *Solving Business Problems*.

Other Sources of Information:

Obtain following items from Fulton Center - 228-8046.

"How to Handle $300,000 a Little At a Time"
Filmstrip CUNA
"Money Talks" filmstrip. Household Finance Money Management.
"Dollar Stretching Practices" 3M overheads, Dollars and Sense.
"Budget Blues" filmstrip Coronet Consumer At Large.
"The Money Book" booklet on saving and spending - XEROX

Game: Managing Your Money - CUNA

PART 16

PERSONAL MONEY MANAGEMENT

Improving Your Business Vocabulary — Page 193

1. budget
2. expenditure
3. allowance

Understanding What You Read — Page 193

1. Before preparing a budget, you must decide what your goals are.

2. Joni Ramey decided the amount of savings as her first step because her goal was to buy a bicycle and she needed savings to do this.

3. Joni decided how much to budget for each purpose by thinking back to what she usually spent on each item in the past.

4. Joni's first try at budgeting failed because she kept no record of how she was actually spending her money.

5. Joni wrote the total amounts budgeted first in her income and expense record to remind her at all times of how much she was allowing for each item.

6. In the Receipts column of her income and expense record, Joni entered all money she received for her paper route or for babysitting on the day she received it.

7. Joni totaled the individual expense columns at the end of the week so that she would figure what her total spending had been and so that she could compare her spending with her budgeted amounts.

8. You might have a cash shortage at the end of a budget week if you lost some money or if you forgot to record an expense.

9. Joni compared her savings and expenses with her budget allowances so that she could see if her budget was working. She would then also know how much above or less than the budgeted amount was available for the next week.

10. The budget amount for an item may be too small if an unusual expense occurs, the cost of an item increases, or the person has been careless in spending.

Applying Your Business Knowledge Page 194

1. When Joni found that she would be receiving an additional $4 a week, she decided to put an additional $1.75 into savings, $1.25 in entertainment and recreation, and $1.00 in clothes and personal items. These were probably good decisions because Joni based them on what she knew her needs would be.

2. Donna Evans can make a close estimate of future income and expenses by keeping a careful record of each over a period of several weeks or months. No one knows exactly what his or her income or expenses will be; all budgets are based on estimates. Since Donna feels her income and expenses are so uncertain, she may be better off starting out with a monthly, rather than weekly, budget.

3. Pat Hagan's plan is not an example of good money management. Transferring excess amounts to savings and then spending money out of savings causes extra record keeping and allows no possibility of developing good saving habits. If Pat finds that he usually needs more money than he has budgeted, then he should change his budget allowances or curb his spending.

4. Car ownership involves many continuing expenses. First, there is the cost of the car, which may be broken down into monthly payments. These must have top priority in a budget. Even if the car is completely paid for at the time of purchase or is a gift, there will be weekly expenditures for gas and oil. The amounts of these expenditures will depend on the extent of use the car receives. There will also be less frequent but regular expenditures for insurance, tune-ups, oil changes, new tires, and routine maintenance. Also, the car owner should have some savings to use if a major break-down should occur. The teenage car owner today needs a much larger budget than Joni Ramey's

Enriching Your Business Understanding Page 196

1. It should be obvious to the students that if teenagers stopped spending money certain industries, such as records, cameras, movies, and soft drinks, would be hard hit. The impact on the other industries mentioned, cars, clothes, and cosmetics, would be serious,

though not quite as severe. The overall effect would be quite serious, but it is very unlikely to happen.

2. Most students probably do not keep budgets, and should be able to make up a simple one by following the example of Joni Ramey.

3. Having a teenager in the family probably has quite an impact on the family spending. First, the family allowance for clothing, food, and transportation is probably greater (especially if the teenager has the use of the family car). Also,teenagers probably have some voice in how family funds are spent and what major purchases are made. A teenager may be influential in persuading his parents to buy a new car or to take a vacation for example. Also, many parents of teenagers may be trying to save extra amounts to pay for college or other post-high school training for the teenager.

PART 17

FAMILY MONEY MANAGEMENT

Learning Goals

1. Recognize the need for careful family financial planning.

2. Realize that the amount to be saved should be a first claim against family income.

3. Identify the differences in regular and irregular family expenses.

4. Understand the value of recommended budgets as a guide for the construction of a budget for a particular family.

5. Be able to set up and maintain family income and expense records.

6. Be able to use a comparison form for determining the extent to which a family is keeping its savings and expenditures within the budget.

7. Provide and maintain an unpaid bills reminder system and a business papers file appropriate to the needs of the family.

8. Identify the procedures for determining a family's net worth.

Suggested Teaching Procedures

1. The purpose of this part is much the same as that of Part 16; that is, the teaching of money management through a study of budgets and records. Emphasize the fact that a family needs budgets and records--good financial planning--even more than does an individual because the wants of a family are usually greater, more varied, and more difficult to control since several members are spending the family income.

2. Be sure that students are again reminded that the amount to be saved should be determined first, but take into account fixed claims against family income. Even such necessities as food, rent, and clothing can be bought at a great variety of prices, and unless the allowance for savings is fixed at

this time, nothing may be left for savings. Transparency Master 17-2 will assist students in determining which months of the year they may purchase selected items at reduced prices during special sales. Consequently, a planned spending program should provide additional funds for purchases that may be delayed until the item can be bought at a reduction during a special sale.

3. Acquaint students with the basic differences between regular and irregular expenses. Point out that the regular expenses are fairly easy to accommodate in that they occur often, whereas irregular expenses (such as medical bills and similar unexpected or infrequent expenditures) are more difficult to estimate. Have students give examples of each of the two types of expenses.

4. Recommend family budgets are printed in many magazines and books, particularly by government and consumer groups. They should be considered useful only as a guide by one who does not have records on which to base a budget and as a means of checking the reasonableness of the allowances in the family budget.

5. There are several equally accurate classifications of savings and expenditures. The classification presented on page 198 of the textbook is one of them. Other classifications are presented in consumer periodicals and books and in standard family financial records available for purchase at stationery and office supply stores. Emphasize that the purpose of the expenditures is the basis for identification, and that consistency is important to accurate record keeping. For example, charging a dinner in a restaurant to a Recreation and Education account one time while charging it to the Food account the next time makes comparison of month-by-month expenditures difficult.

6. Have the students examine the family's monthly budget presented on page 199 of the textbook. Direct the thinking of the students toward the fact that family budgets are more complicated than personal budgets and that they are consequently more difficult to prepare. Note those expenditure items that are regular expenses and those that are likely to occur less often.

7. Encourage the students to compare the family income and expense records presented on page 200 with the individual income and expense record appearing on page 190 of the textbook. Have students explain the reasons for the basic differences.

8. Point out that the comparison form illustrated on page 201 of the textbook provides a method of identifying weaknesses in budgeting and expenditures patterns. Have students discuss the advantages of operating a savings and spending program without using the comparison form.

9. Transparency Master 17-1 shows variations of the basic budget for a family of four to allow for lower and higher incomes.

10. The need for a "tickler" system for reminding the family as bills become due is especially important in view of costly finance charges assessed against overdue accounts.

    It is important to discuss with students the types of business papers that a family should file, not only business correspondence, but also receipts, canceled checks, insurance policies, and important business papers. Bonds, deeds, insurance policies, birth certificates, promissory notes, and other such items should be kept in bank safe-deposit boxes. It is strongly suggested that the teacher illustrate or display in the classroom types of files suitable for family use, particularly those available at local office and stationery supply stores.

11. The concept of family net worth may be a new idea to most students. Emphasize that we are dealing with financial worth only and that such worth is found by determining the present value of what the family owns, less what it owes. Examine with the students the statement of the Ramey family's net worth on page 203 of the textbook. Ask students to suggest what other assets and liabilities a typical family might list. Encourage students to suggest how a family could improve its net position.

Other sources of information:

Obtain following from Fulton Center - 228-8046.

"Budgeting" - filmstrip, Grolier's Supplement One.

"Stopping Leaks in Family Spending" 3M Overhead - Dollars and Sense.

"Paying Your Way" game, students sharpen their decision-making and analytical abilities as they learn to manage a stated income. Players make decisions about buying insurance, furthering their education and purchasing a car, as they calculate how to achieve the goal of acquiring a complete apartment of furniture.

Movie that may be borrowed:

"USING MONEY WISELY" (18 min.) color

Ron Webster, a professional money management counselor, reacts to the cliches and excuses that the "Man-in-the-street" offers. He introduces us to three typical families with money problems representing a cross section of economic levels. We follow them as they encounter, and reach solutions to their money management difficulties.

Send request on school letterhead with date desired for use of this movie. Only cost is return postage.

Ohio Credit Union League
1210 Dublin Road
Columbus, OH 43215
Phone: 486-2917

"The Family Money Manager" chart of how to plan your spending and savings. Request from:

Institute of Life Insurance
277 Park Avenue
New York, N. Y. 10017

PART 17

FAMILY MONEY MANAGEMENT

Improving Your Business Vocabulary Page 204

1. regular expenses
2. irregular expenses
3. net income or take-home pay
4. assets
5. liabilities
6. net worth

Understanding What You Read Page 204

1. When a family budget is being prepared, just as when a personal budget is being prepared, the amount to be saved should be decided first.

2. Regular expenses are expenses such as house payments and surance payments that regularly occur and are for the same amount each time. Irregular expenses occur infrequently, are for widely differing amounts, and are difficult to estimate. Both must be provided for in a budget.

3. Family savings and expense items are divided into the following classifications:
   (a) Savings
   (b) Food
   (c) Clothing
   (d) Household
   (e) Transportation
   (f) Health and personal care
   (g) Recreation and education
   (h) Gifts and contributions

4. The Rameys read several booklets on family income planning. They decided how much they wanted to save each month, and then made an estimate of their past expenditures based on their checkbook record.

5. The Rameys did not include their $300 they had in reserve as part of their budget because they wanted to keep it in case of unusual expenses.

6. Some categories of the Rameys' budget had large balances at the end of January because the Rameys expected large expenditures in these categories shortly.

7. The Rameys bought a file box so that all their unpaid bills and reminders would be in one place and neatly arranged.

8. Families must keep their business papers in an orderly manner so that the information on the papers can be located easily when needed.

9. Furniture, as all other property, is part of a family's assets.

10. A family should prepare a statement of net worth every few years so that it can obtain an idea of how well it is doing with money management. A family which is practicing good money management will usually have a net worth that increases from year to year.

Applying Your Business Knowledge Page 205

1. As students learned in Part 13, a certain amount of impulse buying (that is, when small, inexpensive items are concerned) is not dangerous. The problem arises when the quantity of impulse buying done interferes with budget amounts. Shopping from a list which has been made up ahead of time helps many people avoid impulse buying. Impulse buying may also indicate that insufficient money has been budgeted for such items as snacks, recreation, and entertainment. The good budget allows for these expenses.

2. (a) Typical regular expenses for the family described might be rent or mortgage payments, food, house hold utilities, and transportation.
   (b) Irregular expenses of the family would be life insurance premiums, hospital costs, medical and dental bills, Christmas gifts, and vacation expenses.

3. (a) At the end of January, The Rameys had spent $7.00 more than they had allowed for food.
   (b) At the end of February, the Rameys had spent $2.00 less than they had allowed for food, $8.00 less than they had allowed for clothing, $48.00 less than they had allowed for household, $14.00 less than they had allowed for health and personal care, $41.25 less than they had allowed for recreation and education, and $6.00 less than they had allowed for gifts and contributions.
   (c) Amounts saved and spent rarely equal budget amounts exactly because budget amounts are estimates. Of course, if budget amounts often differ greatly from

amounts saved and spent, a change in the budget or in spending is indicated.

4. If Mr. Martinez believes that his original estimate was correct and that his medical expenses for the last two years were considerably below average, he would do well to budget the $200 for the third year. His budget allowance for the third year, then, would be $200 plus the unused portions from the two previous years for a total of $436. On the other hand, if he had been expecting to pay for some unusual medical expenses that became unnecessary, he may wish to reduce the amount.

5. The system described in the question is not an effective filing system. An effective filing system is organized so that personal and business papers are easily located when they are needed or when bills become due. Anyone who merely stacks papers in a drawer will have to search through all the papers every time one is needed. Some papers may be misplaced and bills that should be paid may be overlooked.

6. (a) Disagree. Many people who have very large incomes are not necessarily happy. Security and happiness are obtained in part by budgeting in such a way as to gain the most satisfaction from money spent.
   (b) Budgeting should not in itself take the fun out of spending. Actually, budgets may increase buying enjoyment by helping one plan the use of income in such a way as to gain the most satisfaction from expenditures.
   (c) Many families do plan together how incomes will be spent. Most often this planning takes the form of family discussions about spending priorities. Some parents feel that such planning helps their children to learn good money management.

Enriching Your Business Understanding Page 208

1. (a) A daughter's entering college would alter the family budget considerably since tuition, additional clothes, books and supplies, and increased travel costs are expenses the family must provide for. The budget would need to be altered to provide for such expenses over the next few years. The budget would also be affected by any income earned by the daughter while she is in college or by any scholarships or loans available to her.

(b) An increase by one fourth in family income could affect the budget in many ways. The family might budget most of the increase for savings. Or they might upgrade their style of living, in which case they would budget more for some or all of their regular expenses. For example, they might buy another car and thus need to budget more for transportation. Or they might decide to buy a larger house. The answer to this question actually depends on what the goals of the family are.

(c) The family's move to the suburbs might increase transportation and housing expenditures, and possibly the family's property taxes.

(d) When a family buys a second car, an extra budget allowance must be provided for increased insurance, car maintenance and operation, and taxes.

(e) When an aged parent moves in with the family, the amount budgeted for food would probably increase, as would perhaps medical and dental costs. On the other hand, it might be that some costs would be reduced--child care, for example, if there are young children.

(f) When teenagers begin driving, insurance costs to cover underage drivers increase, as do operating costs.

(g) When a family buys a home and stops renting, the rent is saved; but the budget must ordinarily reflect increased shelter costs--mortgage payments, maintenance, and taxes. Even though a part of the mortgage payments is savings, the cash outlay is usually greater and the amount budgeted for shelter must be increased.

2. Response to this question will vary depending upon the community. Consider with the students from what sources they can obtain the information requested. Also, consider with the students relative amounts budgeted for the purposes indicated.

3. (a) Children's health records should be placed in appropriately marked file folders and placed in file drawer.

(b) Christmas card list may be placed in file folder in in file drawer. The list should be organized for ease in revising and updating.

(c) Family birth certificates should be placed in a safe-deposit box.

(d) Instructions for care and use of appliances should be placed in file folders in a file drawer.

(e) Telephone numbers may be written in a special section of the telephone directory, in a personal telephone directory booklet that can be obtained from most telephone companies, or in an index card file.

(f) Product guarantees should be filed in file folders, perhaps along with instructions for care and use.

PART 18.

THE CHANGING VALUE OF MONEY

Learning Goals

1. Understand that the buying power of money is not constant but changes from year to year and even from month to month.

2. Identify the functions of a price index, with special emphasis on the consumer price index.

3. Be able to define inflation and identify some of its causes.

4. Be able to define deflation and identify some of its causes.

5. Realize that both inflation and deflation are undesirable, but for different reasons.

6. Determine what can be done to prevent either inflation or deflation.

7. Realize that inflation and deflation are things that build up gradually and that changes in trends cannot be made quickly.

8. Realize that over a long period of time we are more likely to have some inflation rather than some deflation.

Suggested Teaching Procedures

1. For the ordinary class, no effort should be made to teach all the causes of inflation or deflation. This is a subject that is difficult for students far more advanced than those studying general business. Nevertheless, students of general business can understand:

    (a) What inflation and deflation are.
    (b) That both have occurred in the past.
    (c) That some steps can be taken to avoid both inflation and deflation.

2. Important points to emphasize are:

- (a) Inflation has in the past, especially in the past quarter of a century, been a serious problem for those whose incomes are fixed. This group includes particularly those who are living on pensions, interest on savings accounts and bonds, and annuities. Transparency Masters 18-1 and 18-2 reinforce this point.
- (b) Changes in the buying power of money affect the usefulness of money as a measure of value.
- (c) The consumer price index, prepared and published by the federal government, provides a a good measure of how the buying power of money changes
- (d) The beginnings of inflation are pleasant, more jobs for workers and more profits for industry. The increases in prices tend to be noticed later.
- (e) The government can do much to control either inflation or deflation through tax rates, government spending, and interest rates. But none of these measures will have an instant effect. All will require weeks or months, perhaps many months, to be really effective.
- (f) Over a long period of time we are more likely to have some inflation rather than some deflation.

3. A committee of students should study the wholesale price index and the consumer price index in the *Federal Reserve Bulletin* or some other current source and report on these questions (related to activity 4, *Enriching Your Business Understanding*, page 218 of the textbook);
    - (a) Have wholesale and consumer prices increased or decreased during the past year?
    - (b) Has there been a change in the rates of increase or decrease from those of the five or ten preceding years?

4. Consumer Price Index is published by U. S. Department of Labor, Bureau of Labor Statistics, Washington, D. C. 20212.

5. From Fulton Center - 228-8046 - "Inflation: On Prices and Wages and Running Amuck" filmstrip.

PART 18

THE CHANGING VALUE OF MONEY

Improving Your Business Vocabulary — Page 215

1. price index
2. consumer price index
3. inflation
4. deflation

Understanding What You Read — Page 216

1. Rising prices are often a problem in managing money because incomes do not usually rise at the same time as prices.

2. The federal government prepares various price indexes, including the consumer price index.

3. The consumer price index is a series of numbers showing how the average prices of goods and services bought by consumers have changed over a number of years.

4. From 1964 to 1974, the consumer price index increased from 93 to 148, a 59 percent increase.

5. The consumer price index for 1969 was approximately 110.
6. Inflation occurs when the demand for goods and services tends to be greater than supply.
7. When the demand for goods increases rapidly, the prices of those goods generally rise.

8. Governments can increase inflation by borrowing large sums of money. When the governments spend the borrowed money, they increase demand. Thus prices rise.
9. Deflation occurs when the supply of goods and services is greater than the demand.

10. Decreased demand for goods may cause businesses to cut back on their number of employees or their employees' working hours. When employees have less money to spend, demand is further decreased.

11. To act against inflation, the government can:
    (a) Increase taxes.

(b) Reduce government spending.
(c) Encourage higher interest rates.

To act against deflation, the government can:
(a) Decrease taxes.
(b) Increase government spending.
(c) Encourage lower interest rates.

12. Quick action is usually taken against deflation because everyone notices the slowing down of business and the loss of jobs. When inflation occurs, such quick action is not usually taken because its effects at first seem beneficial--prospering businesses and many jobs.

Applying Your Business Knowledge Page 216

1. The buying power of Michael Rodowski's $1,000 after five years will depend on whether inflation or deflation has taken place over the five years. The money will buy less if inflation has occurred and will buy more if deflation has occurred. Since inflation is more likely than deflation, the money will probably buy less.

2. A large increase in installment sales indicates an increase in total demand, which is inclined to cause inflation unless supply increased by the same amount.

3. Inflation is most likely to be caused by an increase in government spending without a corresponding increase in taxes. Such a policy causes an increased demand by the government without a decrease in demand by the general public.

4. Since food is a necessity, a family faced with food price increases probably has no choice but to pay the higher prices. The extra money will have to come from the family's budget for luxuries.

Enriching Your Business Understanding Page 217

1. Families and individuals who want to act against inflation can postpone major purchases. Such action, when taken by many people, will reduce demand and possibly reduce prices.

2. One of the most obvious effects of taxes on the economy is to take away from workers a sizeable portion of their incomes. Of course, workers receive back some of the value of their money in government services. By raising and lowering taxes, the government is able to control inflation to some extent.

3. Students' answers will vary depending on conditions at the time. News magazines would be a good source for students.

4. A drastic change in any price index would sooner or later have a great effect on the entire economy. For example, a rise in wholesale prices would soon produce a rise in retail prices.

5. A depression is usually considered to be part of the normal business cycle. Many theories have been advanced to explain business cycles. Among the theories are overproduction (more goods have been produced than can be sold), overinvestment (too much money has been spent for capital equipment and not enough for consumer goods), and underinvestment (the amount of money spent for capital goods is less than the amount of savings of businesses and individuals).

UNIT 6

USING BANKING SERVICES

The study of banking services may be approached from many interesting and varied points of view. In this text, however, the authors have limited their treatment of the subject essentially to those appreciations, understandings, and skills that users of banking services should possess. Such topics as the origin and development of our banking system, the internal organization of different kinds of banks, foreign exchange, and fiduciary services of banks and trust companies are subjects more appropriate for advanced business and economics courses. Opportunities have been provided, however, in the *Enriching Your Business Understanding* activities for more advanced students to explore to greater depth such topics as the Federal Reserve System, changes in banking, and requirements for starting a banking business.

The major topics of this present basic information about the business of banking, how to use checking accounts, how to reconcile the checkbook balance with bank statement balance, and how to use special checks and money orders.

It should be recognized that students will have varied experience and abilities in using banking services. Care should be taken to determine these levels of abilities through inventorying or pretesting; and, where students prove sufficiently knowledgeable about using certain services (e.g., checking accounts), that they be assigned activities which will lead them beyond their present abilities. Only by giving attention to this can student growth be assured.

Plan to visit local banks to provide students with first-hand information about banking services while studying this unit. The objectives are to:

(1) Understand the personal, social, and business services that a bank renders as a financing agency in the community and in our economic system.

(2) Develop the ability to make intelligent use of checking account services.

(3) Identify other ways of making payment such as special checks and money orders and be able to demonstrate the proper use of each.

Part 19

HOW BANKS SERVE YOU

Learning Goals

1. Understand that banks are businesses organized to handle the money of individuals, businesses, and other organizations.

2. Identify the many valuable financial services that banks provide for their customers.

3. Understand the meaning of a check and appreciate its usefulness as a means of making payments.

4. Understand that banks operate under state and national banking laws, and are subject to rigorous inspection.

Suggested Teaching Procedures

1. As suggested in the introduction, students' abilities in using checking and savings accounts should be determined early in the part to ensure that each student will grow beyond the present level of ability. Some students may have had some banking experience since they entered their teens and started delivering newspapers in the neighborhood. Discussion at the beginning of the part will disclose these experiences. Having students explain check-writing techniques will disclose their ability in this task. Using the checklists in the workbook will help with the inventorying process; but remember that this is a check on the student's knowledge of the part content. Knowledge of banking services and the ability to use them efficiently are not necessarily the same thing. It is important to assign activities consistent with abilities.

2. A number of rather technical terms are presented in this part. The teacher should place special emphasis upon developing an understanding of these terms. From time to time throughout the course reviews of terms previously presented should be held. It must not be assumed that once a term has been studied it will be remembered. Students should be encouraged to use the terms studied in both their oral and written work.

3. Some students may not understand how the safe-deposit vault shown on page 226 in the textbook may be used by the customers of a bank. Explain the actual procedure followed in the use of a safe-deposit box as the students study the illustration.

4. Do not overemphasize the organization and operation of the Federal Reserve System in the study of this part. Many students are too immature to grasp the full meaning of the Federal Reserve System. It is sufficient simply to have them understand that a

Federal Reserve bank bears the same relation to other banks as does a bank to its own depositors. For the more able students, *Enriching Your Business Understanding* activity 5 on page 234 of the workbook will provide opportunity for more in-depth study of FRS.

To enhance the discussion of the Federal Reserve System, point out the words "Federal Reserve Note" on a one-dollar bill, noting also the FRS District number. As you use the actual dollar bill, project Transparency Master 19-2 and note the corresponding items on the illustration and the real dollar bill. If a student has a dollar, find the illustrated items on the currency, noting such possible differences as treasurer's signature and FRS District number. Relating the textual discussion to the real dollar will help to make the FRS more realistic to the students.

5. *Enriching Your Business Understanding* activity 2 requires an investigation of local banks. The required information may be obtained by committees of two or three students to get the information, with perhaps separate committees going to different banks. Care should be exercised in assignments of this kind so that a large number of students will not converge on one institution for the same information. In making committee assignments the teacher will need to be careful that all students have experience in doing group work and that, wherever possible, students serve on committees seeking information in which they have a real interest. All special projects undertaken by committees should be reported to the class so that the entire class will benefit from the experience.

6. Since this part discusses a young man's tour through a bank, the field trip to a local bank would be timely. Used before the field trip, Transparency Master 19-1 will be helpful in reviewing the "department store" concept of the full-service bank. Note the variety of services available. If the students visit a bank, pairs of students might be assigned one particular department or service to observe or ask about. In the followup discussion after a field trip, project Transparency Master 19-1 again as a checklist to recall the departments and services as the pairs of students report.

The Ohio National Bank offers a very interesting field trip to school students. For more information call 462-2860. Other banks offering information are City National Bank, 461-8987, and Huntington National Bank, 469-7010.

7. Following the field trip to a local bank, a guest speaker from that bank can be invited to the class to respond to any questions students raise regarding what they saw on the field trip.

8. Following a field trip and a guest speaker, students can discuss different jobs they observed during their visit. Using the *Business Career Kit* or *Encyclopedia of Careers*, a student(s) may choose a career he found interesting and write a short report about it.

9. To clarify and emphasize the department store concept, several students can be chosen to participate in a role-playing activity. A student can be chosen to represent different departments, such as new accounts, trust, loan, etc. One student would portray a customer, another a bank employee. The employee would be responsible for explaining and answering questions about his department.

10. Another activity using the *Business Career Kit* is *Banking Bingo*. To do this, the teacher should prepare a ditto sheet with at least 9 squares. Using the career cards, put a career in each square. Students should read the career description carefully. The teacher would then read the job description and the student would cross off or place a token on the job title that fits that description.

11. Use *Business and You* Filmstrip Series, published by Gregg/McGraw Hill, *Money, Credit, and Banks* and *Bank and the Community*. These are available from Fulton Center. Call 228-8046.

12. Survey groups of people (parents, students, teachers) using a student-developed questionaire to determine attitudes concerning use of bank services.

13. Individual Student Activities

    (a) Open a checking or savings account
    (b) Give an oral report on banking regulations.

14. Case Study

George, age 19, earns about $95 per week. He rents a small apartment and has a car for which he makes monthly payments of $90. He is wondering whether to open a checking or savings account. What is your opinion?

Resources

Consumers Unions
Secondary Level Consumer Education
Educational Services Division
Mount Vernon, New York 10050 1973

This book is one of a series of six which may be purchased separately. Contains case studies, teaching techniques, and student activities.

PART 19

HOW BANKS SERVE YOU

Improving Your Business Vocabulary page 230

1. deposit
2. account
3. check
4. checking account
5. savings account
6. interest
7. safe-deposit box
8. trust bank
9. savings bank
10. investment bank
11. commercial bank or full-service bank
12. Federal Reserve System

Understanding What You Read page 231

1. Reasons why people put their money in banks include these: (1) it is safe, (2) they can take it out when they need it, and (3) it can earn interest.

2. Checking accounts offer check-writing privileges, but do not draw interest. Savings accounts draw interest, but do not offer check-writing privileges. An alert student in the New England area might know that certain banks pay interest on certain checking accounts. In two states only, Massachusetts and New Hampshire, certain commercial banks and thrift institutions (mutual savings banks, savings and loan associations, and credit unions) allow withdrawals by "check" from interest-bearing savings accounts. The withdrawal form is called a "negotiable order of withdrawal," (NOW). Federal and state regulations have prevented the practice from spreading to other areas or other financial institutions.

3. A family might keep birth records, insurance papers, jewelry, bonds, coin collections, a copy of wills, and any other small valuable items. Note that a copy of the will, and not the original, should be in a box. In many states, when the owner of a safe-deposit box dies, the survivor cannot open the box until a court-appointed monitor is present.

4. A young person may someday want to borrow from a bank in order to buy something he needs or wants, such as a car. (Later in the text, other reasons for borrowing by businesses and individuals will be developed. but the reasons given here are sufficient at this time.)

5. Answers will vary. A customer might seek advice from a bank on such financial matters as (1) buying a house, (2) building a good credit rating, (3) managing money, (4) investing in securities, (5) and planning or managing an estate.

6. Trust departments are especially helpful for young people who have received inheritances which they are too inexperienced to manage, and older people who do not wish to manage their own financial affairs.

7. A full-service bank offers a variety of financial services through many departments; a special-purpose bank is one which is organized for one specific purpose, such as a savings bank.

8. Banks earn income through interest on loans they make and from charges for customer services. Most of the income is from interest on loans.

9. Government regulation of banks is necessary because customers' funds must be protected; our economy to a great extent depends upon a sound money and banking system; uniformity in banking operations assures confidence and trust in the banking business; it discourages unethical and illegal practices.

10. The local bank receives deposits from and makes loans to individuals; a Federal Reserve bank receives deposits from and makes loans to other banks only.

Applying Your Business Knowledge page 231

1. Arguments might include possibility of losses from fire, theft, forgetting where money was placed, forgetting to remove money from clothes sent to cleaners. Keeping much money on hand is a temptation to over-buy. Money placed in savings accounts earns interest. Money placed in banks helps business and the community grow by making more funds available for loans. Deposits are insured by the FDIC (this topic is discussed in Part 20, however).

2. Danger that money will be lost or stolen is decreased when cash receipts are deposited in a bank each day. Also, bills can conveniently be paid by check.

3. The jewelry is kept in a safe-deposit box to prevent its loss or theft. Because Ms. Trayner is famous, she may be getting a great deal of publicity about her jewelry, making her expecially vulnerable to theft. Some people have fake copies made of their expensive jewelry and take the real pieces from their safe-deposit boxes only rarely.

4. All services could be used by an individual or group. Likely uses would be:

(a) Rock band: checking, saving, perhaps a loan for instruments or a van.

(b) Retired person: checking, saving, safe-deposit box, investment or trust.

(c) Service station: checking, saving, payroll, business loans.

(d) Car Buyer: loan for purchase, checking, saving.

(e) School ecology club: checking, saving.

5. There really would be no very good solution for these money problems if there were no banks, but possible ways of handling the problems would be:

(a) Money saved might be hidden in the home, although there would be the danger that it might be lost or stolen. Or the money might be loaned to some person or business.

(b) The employer might pay in cash or might pay partly in goods, particularly if the business was a retail store. At such a store, employees could buy on credit and the amount of their purchases could be deducted from wages owed them.

(c) A person would have to buy a home with savings or with funds borrowed from someone else.

(d) A farmer might buy equipment with money saved, or he might buy on credit and pay in cash when he had sold some of his produce.

(e) Citizens would have to save cash and take it to the office where taxes were received.

Enriching Your Business Understanding page 234

1. Among the changes are: (a) night banking hours, (b) move from central city to suburbs, (c) branch banking, (d) drive-in banking, (e) retail credit (charge cards), (f) from formal housing and atmosphere to informal to casual, (g) proliferation of services in commercial banks, (h) extension of consumer loan services, (i) overdraft checking services, (j) from emphasis on services only for business and the wealthy to services for the average citizen, (k) personalized checks, (l) computerized sorting and accounting (fast clearance of checks), (m) electronic transfer payments, (n) electronic banking available outside of banks 24 hours a day, 7 days a week, (o) growth of holding companies (bankshare

companies), (p) competition for deposits with such devices as free checking and premiums.

2. Answers will vary, depending on the community. If there is a large number of banks, it is recommended that each student be asked to list only 3 or 4.

3. Reports will vary. A point to be emphasized is that government regulation to protect the banking industry and its depositors makes it difficult for "just anyone" to start a bank. A bank must meet strict legal requirements before its owners can open and begin to accept depositors' money. Some students might feel that this is a restriction on individual rights. In one sense it is a restriction; however, we must remember that the purpose of government in imposing restraints is to assure freedom (fights and privileges) for all. Freedom means allowing each individual to do as he pleases, provided that individuals are not imposed upon and that they have the same rights. For example, you are restrained from driving 60 miles an hour through a school zone not to restrict your rights, but to assure the safety of others. Just so, banks are regulated in order to assure the safety of money deposited.

4. (a) "Bonded" as used here refers to a promise on the part of a bonding company to reimburse the bank for funds lost or stolen by a bank official.

(b) Bonding is important to customers of the bank because customers have this further assurance that their deposits are safe.

(c) The bonding of bank employees is important to the bank because it protects the bank from losses caused by dishonest employees. The bonding company does more than reimburse the bank for stolen funds; in many cases it makes every effort to apprehend the wrongdoer.

5. Comments will vary, but reports should include information about the clearinghouse and credit functions of a Federal Reserve bank. The teacher will find it helpful to review library sources before students report their findings to the class. Other functions of a Federal Reserve bank include: (1) holding of reserves for member banks so that member banks can meet the demands of their depositors; (2) supplying cash reserves to member banks to meet the needs of the public--the amount of paper money and coins withdrawn from member banks increases during periods of heavy shopping such as the Christmas season; (3) controlling the amount of member bank credit so that the amount of money made available for loans fluctuates with conditions of the economy; (4) serving as a fiscal agent for the United States government to hold and issue the billions of dollars worth of United States bonds and notes that have been sold.

PART 20

OPENING A CHECKING ACCOUNT

Learning Goals

1. Understand the importance of checking accounts to individuals and businesses.

2. Identify the procedure for opening a checking account and making deposits.

3. Demonstrate the correct form and procedure in preparing deposit slips.

Suggested Teaching Procedures

1. In this part, the students should become familiar with the forms used by banks in establishing checking accounts so that they will be able to handle their bank accounts effectively and will more fully understand the services that are available to them. Emphasize the following points:

    (a) A signature card must be signed by the depositor and left with the bank so that the bank will have a signature with which the signatures on checks can be compared.

    (b) A deposit slip should be made out for each deposit. Each check should be listed separately. Listing checks by bank numbers is always correct, although some banks permit the listing of checks by the name of the bank or by the city in which the bank is located. Practices vary. Transparency Master 20-1 illustrates three acceptable methods of listing checks.

2. Prepare an exhibit of materials collected from local banks, including the following: checks and checkbooks, deposit slips, deposit receipts or passbooks, signature cards, and other printed material relating to customer account services. Be sure to display examples of personalized checks, including both name printing and check design. Checks with magnetic numbers should be included; attention should be called to the unusual shape of the numbers to conform to optical character reader specifications. A well-planned exhibit of such materials can be used effectively for reference purposes throughout the entire unit. Transparency Master 20-2 might be used to launch the exhibit-collection project. It illustrates three types of deposit receipts. It will help the student understand that banking processes are similar but that banks may differ in the forms or the methods used in carrying out the processes.

3. *Solving Business Problems* can be worked by all pupils without undue difficulty. Emphasize the desirability of checking and rechecking the accuracy of addition. Problem 4 is a self-checking problem.

Problem 3 exposes the student to comparing costs and using metric measurement. The difference in the cost is so little that the students may agree that the drive to the bank may be an enjoyable experience for Jack and worth the extra pennies he must spend for gas. Remind the students that this is a value judgment that Jack must make when he chooses between two uses of his money, as they studied in Unit 4. Note, also, that frequent changes in postage costs may change the answer to this problem.

4. *Enriching Your Business Understanding* activities 2, 3, and 4 might well be assigned to committees rather than to the entire class. Time should then be provided for each committee to make its report and for the report to be discussed by the class.

For information for this activity students may call: Ohio National Bank, 462-2800; City National Bank, 461-5800; and the Huntington National Bank, 469-7010.

5. In recent years, a few bank failures have been widely publicized in the news media. Such news stories, when mounted and filed, will serve as good launching pads for a discussion of the Federal Deposit Insurance Corporation. *Enriching Your Business Understanding* activity 1 is appropriate for this discussion.

6. Students should be given practice in filling out deposit tickets and signature cards. If a student workbook is not available, the teacher should duplicate forms obtained from one or nore local banks.

PART 20

OPENING A CHECKING ACCOUNT

Improving Your Business Vocabulary page 242

1. Federal Deposit Insurance Corporation
2. signature card
3. joint account
4. deposit slip or deposit ticket
5. checkbook
6. check stub
7. check register

Understanding What You Read page 243

1. Any two of the following answers would be acceptable:

   (a) Having a checking account makes it unnecessary to keep large sums of money on hand. It is convenient to use one check form to pay any amount.

   (b) The canceled check is returned to the writer and serves as a receipt.

   (c) Payments by check can be safely sent through mail or by messenger. Only the payee may cash it or order it cashed.

2. The FDIC guarantees each account in an insured bank up to $40,000.

3. Signatures of depositors must be placed on file in the bank so that tellers may compare signatures on checks and other documents to be sure they are genuine.

4. Each person who is to write checks on a joint account should sign the signature card. The bank will not cash any check unless the depositor's signature is on file.

5. Checks may be listed on the deposit ticket by the ABA number, by the name of the person from whom the check was received, or by the name of the bank on which it was drawn.

6. There are three parts to the ABA number. Two numbers appear above the line. The first indicates the city or state in which the bank is located; the second is the number assigned to the individual bank. The number below the line is the Federal Reserve number.

7. The total amount of the check will be shown on the "Total" line; the amount of cash received would be on the line "Less Cash Received;" the difference between these two--the amount deposited--will be on the "Total Deposit" line.

8. Checks and check stubs or a check register. The check is given to the person to whom the payment is made; the stub or register is the checkwriter's record of the check that was written and of the deposits made.

9. Magnetic ink printing on a check enables the bank to sort checks quickly with machines that "read" the numbers.

10. The amount of the deposit is entered on the stub opposite the words "Amount Deposited," or some similar words. On the following line is shown the total of the deposit plus whatever other amount may be on deposit in the checking account. If the amount deposited represents a new account, both figures will be the same.

Applying Your Business Knowledge page 243

1. No. Students should recognize the necessity for the bank's requiring a single signature for each account and for each check to bear this signature only. Confusion would result otherwise. If Mike wanted to use his nickname instead of his full name, Michael, the nickname should be on the signature card.

2. Requiring two signatures helps to insure that all checks are properly authorized.

3. No. Each depositor whose signature has been recorded for a joint bank account is entitled to sign checks written on the account.

4. There are many ways through which checks can be personalized. The depositor's name and address printed on the check is the most widely used type. A slogan selected by the depositor may also appear on the check. A variety of colors are available. The checks might also show a photo of the depositor; or he may choose designs showing sports, local trademarks, flowers, military emblems, or other designs.

5. A check stub is filled in for each check written. In a check register, information for several checks is recorded on a single page. Students may prefer either one. It might be pointed out that there is a trend toward the register, while at one time most people preferred stubs. Stubs are convenient and may be less subject to over-sight since a stub is attached to each check. But they are bulky, and provide a very small booklet for filing. Check registers save space and the booklets are easy to file. But since registers are separate from the checks, some depositors find it easy to forget to fill in their record of checks written.

Enriching Your Business Understanding page 245

1. (a) A run on the bank is a demand by a large number of depositors for the immediate withdrawal of their funds on deposit with the bank. Such a demand for the mass withdrawal of deposits is brought about by a lack of confidence in the bank's ability to protect the depositors' funds.

   (b) A run on the bank would not be likely today because of the deposit insurance provided by the FDIC.

2. Answers will vary. Many cities and towns have at least one bank which operates on a 24-hour basis. To use the service, a depositor will need a card similar to a standard credit card with his account number printed in magnetic ink or some medium readable by the automatic teller (See Illustration 22-5, page 266). The teller will be outside the bank and accessible at all hours. It will have keys with symbols indicating several operations such as transferring funds from savings to checking, depositing funds to account, or cashing a check. When the depositor inserts his coded card and punches in his instructions, his account will be changed accordingly.

After-hours service might be needed when a person unexpectedly needs cash after hours; or he might collect large sums of cash after hours and not want to risk keeping it until the bank opens the next day; or he may work at a job which prevents his using regular banking hours.

3. Answers will vary. Some banks offer checking accounts only to adults; some offer accounts to minors jointly with a parent or guardian; others require only that a person be old enough to write a check. Banks often encourage young people to learn about banking practices through a savings account and then move to a checking account with their first job. Many banks require only that the depositor be old enough to show that he can handle a checking account responsibly. If a bank has age requirements, it might discourage young people from becoming customers, but it may also minimize the mistakes which might occur in accounts opened by people too young to manage an account responsibly. If the bank has no requirement, it may incur large expenses from handling many accounts with small balances. At the same time, it may add potential customers when the young depositors reach maturity.

4. Answers will vary. Here are some examples:

   (a) Money hidden for safety is rarely safe. Robbers usually find it. In addition, the money earns no interest.

   (b) Money kept in the home may be destroyed by fire; it would not only be safe in a bank, but would increase the widow's income through interest it earns.

(c) Carrying large amounts of cash is risky. If it is lost, cash is rarely returned. It would be better to put the money in the bank and pay bills and purchases by check.

(d) Older people seem especially vulnerable to con artists. Cash should be kept in the bank. Withdrawals should be made only for good reasons. The con artist usually promises larger sums of money if the victim will withdraw his money from the bank and turn it over to the con man or his accomplice. Knowledgeable people know that one does not get something for nothing. A suspected con artist should be reported to the police.

5. (a) Joint and several; Each and all owners of the account may conduct account transactions. In the event of one owner's death, surviving owners own the balance.

(b) Tenants in common: All owners may conduct account transactions. Heirs of deceased owner inherit his share; surviving owners continue to own their separate shares.

(c) Joint tenants with right of survivorship: Two or more owners; each may conduct account transactions. Funds belong to surviving owner(s) in case of death of one owner.

(d) Tenants by entirety: Ownership by two, usually husband and wife, neither of whom may during the lifetime of the other conduct account transactions without consent of the other. Upon the death of one, ownership goes to the other.

PART 21

USING PERSONAL CHECKS

Learning Goals

1. Appreciate the necessity for writing checks correctly because they serve as substitutes for money.

2. Demonstrate why it is desirable to write checks only on forms supplied by your bank.

3. Understand that detailed information about checks written should be recorded on the check stub or in the check register.

4. Understand why a depositor should maintain a checking balance sufficient to cover the checks written.

Suggested Teaching Procedures

1. The primary purpose of Part 21 is to present the proper method of writing checks. This subject deserves careful attention because of both the importance of writing checks correctly and the prevalence of errors in checks, especially in checks written by those not actively engaged in business. Transparency Master 21-1 may be used to demonstrate the parts of a check as well as the information correctly written on the check and recorded on the check stub. Transparency Master 21-2 identifies errors to avoid in writing a check.

2. Students should appreciate the importance of keeping an accurate record of deposits and checks. Several activities are provided to emphasize this importance. A variety of approaches to this concept occur in *Applying Your Business Knowledge* activities 1-3 and *Enriching Your Business Understanding* activities 1 and 3. Practical applications are also provided through activities with forms in the workbook.

Special emphasis should be placed upon the need for the record provided by the stubs or the register, but the form of the record should not be neglected. A carelessly kept record that does not show all the information needed or that shows inaccurate information is little, if any, better than no record.

3. Students may be interested in knowing that before checks were sorted by magnetic ink numbers, the forms on which they were written were not important. In fact, many stores always had on hand check forms without the name of a bank on which the customer would write in the bank name. Also it was not uncommon for a person who did not

have a check handy to use the check form of another bank, crossing out the name of the bank and writing in the name of his own. Now that checks are commonly sorted by magnetic numbers the use of any forms other than those supplied by the depositor's own bank is severely discouraged. Those banks which accept checks on other than those supplied to the depositor usually charge a fee for this service.

4. Since the parts in the unit involve considerable handwriting, It is suggested that careful attention be given to the quality of the students' penmanship. Legibility, not beauty, should be emphasized above all else. The students' attention should be called to the necessity for proper spacing of letters within words, spacing between words, placing the amount figures close to the $ sign, the relative size and proportion of letters, and the necessity for neatness. Students who write checks below a satisfactory standard of penmanship should be required to do them over.

5. Have class prepare a poster showing rules they have helped to make for making out checks. They should cover such points as: (a) before writing a check, be sure you have enough money in your account to cover it; (b) use the same signature on each check.

6. Invite a security officer or investigator from a local bank to discuss the problem of bad checks. His discussion should include a description of his job and its duties.

Sources to call are:
Ohio National Bank, 462-2800
City National Bank, 461-5800
Huntington National Bank, 469-7010

7. Invite the school treasurer to talk to your class. Ask her to discuss the banking services used by the school.

Source: Contact school office for person who handles bookkeeping for the school.

8. Students should have practice in filling out check stubs, checkbook registers, and checks. If a student workbook is not available, duplicate forms obtained from school treasurer or local banks. Teacher should stress legibility.

PART 21

USING PERSONAL CHECKS

Improving Your Business Vocabulary	page 254

1. payee
2. raised check
3. drawer
4. forgery
5. overdrawing
6. postdated check
7. check protector
8. stopping payment

Understanding What You Read	page 254

1. If the stub is not filled out first, the drawer may forget it and thus have no complete record of the checks written. Also, he will not know his current bank balance and is thus more likely to overdraw his account.

2. Check number, date, name of payee, amount in words and in figures, and the drawer's signature.

3. Checks and stubs are numbered consecutively.

4. The payee is the one who is to receive payment.

5. A check payable to "Cash" or "Bearer" is payable to anyone. If such a check is lost, it may be cashed by the finder and the drawer may lose its value.

6. The amount of a check is written twice in order to assure accuracy of the intended amount. Some people write numbers carelessly. If the amount is also spelled out in words, these words will be helpful in interpreting poorly written numbers.

7. Check amounts might be raised: (1) where the amount is written in figures between the dollar sign and the first number or between the dollars and cents figures, (2) where the amount is written in words before the word or after the fractional amount. To avoid this, the drawer should (1) begin the figure amount close to the dollar sign; (2) write the cents figure close to the dollar figure; (3) write the cents figures smaller than the dollar figure, slightly above the line, and underlined; (4) begin the word amount close to the left end of the line; and (5) draw a line after the fraction amount to the printed word "Dollars."

8. The amount written in words. If, however, the bank considers this difference to be sufficiently important, it may telephone the customer and may follow his instructions as to payment.

9. A forged check is one that has been signed by someone not authorized to do so.

10. You might stop payment on a check if a check that you have written is lost and you are to write another to replace it. In an emergency you can stop payment by a telephone call, but as soon as possible you should fill out a stop-payment form at your bank.

Applying Your Business Knowledge page 255

1. (a) The check and the stub both list the number of the check, the name of the payee, the date, and the amount for which the check is written.

   (b) Information appearing only on the check: the name of the bank on which the check is drawn, the ABA numbers, the Federal Reserve number, magnetic ink numbers, and the signature of the person writing the check.

   (c) Information appearing only on the check stub the amount brought forward, deposits if any, the balance carried forward, and usually the reason for writing the check (may also appear on the check).

2. (a) If Mr. Parker forgets to enter on his stubs the information about checks he has written, he will not know his exact balance against which he may write checks and he may overdraw his account.

   (b) Mr. Parker could avoid this difficulty by carrying his checkbook with him. If he prefers not to do this, then he could place a small card in his wallet and write on the card the information about checks written. When he returns home he could then transfer this information to his check stubs.

3. Tina should keep her own records for several reasons. The check stubs provide useful information about all checks that have been written and also show the amount in the bank against which additional checks may be written. Her record will provide a means for checking the bank statement to determine its accuracy and correcting any disagreement between balances which might occur. Although bank records have a high accuracy rate, errors sometimes do occur.

4. The merchant would be within his rights. Since he apparently does not know Henry Santee, he has no way of judging his reliability. Mr. Santee may forget to deposit the check; his company may distribute them late; or the check may be lost in the mail. For a number of

reasons, Santee's check may not arrive at the bank according to his plans. If the merchant deposited the check, it would be returned for insufficient funds. Occasionally, a merchant will accept a postdated check from someone he knows well; but it generally is not considered a good business practice.

5. Answers will vary. The girls might find it advisable to have only one person responsible for writing the checks with the approval of the other two. If all were writing checks at the same time for various purposes, confusion would result. Great care would be needed to see that each check was properly recorded and the balance kept current. Another option would be to have a responsibility assigned to each girl. An amount to cover, say, the rent and utilities might be entered into one checkbook and assigned to one girl, who would write all the checks for these accounts using only the funds assigned to her. The other responsibilities and funds would be likewise assigned to the other two girls. Periodically, the girls could have a group accounting to check on their budget.

6. A person who has a checking account is permitted to write checks for not more than the balance in his checking account. One who issues checks should keep in mind that writing checks for more money than he has in a bank is commonly forbidden by law. Banks cannot operate on the *plans* of customers to deposit money in their accounts, regardless of how well intended they are. The additional cost of employing personnel to call customers, even long-standing ones, when their account balances are insufficient to cover their checks would increase the cost of bank services to everyone. Many banks offer accounts with overdraft provisions to take care of the problem. This is actually a form of credit.

Enriching Your Business Understanding page 258

1. (a) No effect. Numbering checks is a matter of convenience, not an essential part of the check.

   (b) No effect. Stub is not an essential part of a check.

   (c) Not valid. If the check is not signed, it has no value.

   (d) Technically the check cannot be cashed until January 3, 1986. Bank would probably check with drawer to determine if error was made. If bank assumes that an error was made or overlooks date and cashes check, it does so at its own risk.

   (e) No effect. The rightful payee (or any other person for that matter) can fill in his name and cash the check.

   (f) Generally valid, but payee will neet to endorse the check twice, first as misspelled, and then spelled correctly.

(g) No effect. The maker can be held responsible for the $54.50.

(h) A dangerous practice. The maker can be held responsible for any amount the payee fills in.

2. Answers will vary. Computer-printed checks often resemble punched cards, but some are printed on multiforms and are separated on perforated lines. Usually, all the parts normally filled in by a drawer of a handwritten check will be printed automatically. Signatures often appear as printed reproductions of handwriting. Computer printed payroll checks usually are accompanied by a form showing the breakdown of deductions from gross pay.

3. Answers will vary, but "insufficient funds" usually heads the list of reasons for returned checks. A variety of errors made by the drawer in writing checks, such as failure to sign or disagreement of amount in words and figures, also cause returns. Check-writing skills can be improved through such classes as this one. Banks might also distribute literature to customers and schools. Night classes might be held for adults who need help. Newspapers and television stations might run programs to explain and show proper check-writing techniques.

4. No. Unless a person has a better reason for stopping payment on a check than just the desire to defer paying a bill, stopping payment is not generally good practice. Doing so tends to damage a person's credit standing. It also may make him liable for any damages suffered by the rightful holder of the check to whom the payee has transferred the check.

5. (a) The following items must be present to make a check valid: (1) amount to be paid must be certain or determinable; (2) must be payable in money; (3) payable on demand; (4) must contain an order to pay; (5) the order to pay must be unconditional; (6) the order must be in writing and signed by the drawer; (7) must be payable to "order" or "Bearer."

(b) Yes. Printed forms are recommended, but according to the law, no special printed form is necessary.

(c) "Commercial paper" applies to transferable paper documents used in commercial transactions, that is, the transfer and movement of goods and services. Commercial paper is sometimes referred to as negotiable instruments. Because checks are used in payment of goods and services, they are classified as commercial paper.

necessity should be determined anyway before additional checks are written. Attempting to teach several ways of doing the problem may confuse the students. Transparency Master 22-2 correlates with Transparency Master 22-1 so that the teacher can focus attention on each step of the bank reconciliation.

4. Although the writer of checks has the privilege of stopping payment on checks, the teacher should be careful to explain that this is a privilege to be used only under extraordinary circumstances. A person may be held legally responsible for financial losses or embarrassment caused others due to unjustifiable stoppage of payment.

5. Collect and display printed materials from banks explaining their checking account services and their methods of calculating monthly service charges. Determine whether local banks offer free checking to any of their customers. Some banks restrict free checking to such special groups as veterans, the handicapped, or senior citizens. *Applying Your Business Knowledge* activity 6 should be used in connection with a discussion of service charges.

6. *Enriching Your Business Understanding* activities 2 and 5 are designed to help the students achieve Learning Goal 7. If possible, arrange for a demonstration at a local bank which has an automatic teller outside its building or a computer terminal teller in another location, such as a retail store. Other types of electronic transfers of funds, such as paying loans or utility bills, should also be discussed.

7. Invite a teller from a local bank to speak to the class. The discussion should include what her/his duties are, training received, and how she assists the customer in the checking account operation.

8. Take class on a field trip to a personnel training department of a local bank. Allow students to observe the diversity of career opportunities in banking. Invite a speaker from center to talk about banking careers following field trip. For information call Ohio National Bank Training Center, 462-2303.

9. Students should have practice in reconciling a bank statement. If a student workbook is not available, teacher should duplicate copies for the class.

PART 22

HOW YOUR CHECKING ACCOUNT WORKS

Learning Goals

1. Appreciate the reasons why most banks customarily charge for providing checking account services.

2. Understand that many banks offer regular and special checking and package-plan account service.

3. Demonstrate proficiency in reconciling a bank balance and a checkbook balance.

4. Understand that the purpose of canceling checks is to show that the checks have been paid by the bank.

5. Understand that a canceled check provides evidence of the payment of a particular debt.

6. Realize the need for reducing the number of checks used in our country and become aware of ways through which a depositor's funds can now be automatically transferred with authorization and without the use of checks.

Suggested Teaching Procedures

1. Bring actual examples of canceled checks to class so that students may have first-hand knowledge of the appearance of a check that has been paid.

2. Give considerable attention to the method of reconciling a bank statement. It is recommended that additional short problems involving the reconciliation of a bank statement be assigned so that the students will be thoroughly familiar with the correct procedure. Transparency Master 22-1 illustrates the check imprinting charge and the service charge that commonly appear on bank statements. This transparency master provides another opportunity to emphasize the similar processes but differing forms in banking activities. Point out that while the items appearing in the statement in Transparency Master 22-1 and Janet Perry's statement on page 263 of the text are about the same, the two banks use different statement forms. Use the transparency to review, from pages 261-262 in the text, the six parts found on most bank statements.

3. Although an account may be reconciled in different ways, it is suggested that students master the method used in the textbook. This involves reconciliation of the correct checkbook balance, which of

PART 22

HOW YOUR CHECKING ACCOUNT WORKS

Improving Your Business Vocabulary page 267

1. service charge
2. bank statement
3. canceled check
4. bank reconciliation
5. outstanding check

Understanding What Your Read page 267

1. The total service charge is made up of (1) a fixed monthly charge for maintaining the account, and (2) an additional charge that depends on the number of checks written and deposited.

2. A regular checking account has the larger service charge, but the charge for each check is smaller. With a regular account a charge may be made for deposits. But only with a regular account is credit given, depending on the average balance, to offset all or part of the service charge.

3. A package plan account gives the depositor for a flat monthly fee a variety of banking services which he would otherwise pay for separately.

4. The bank statement shows:
   (a) The balance at the beginning of the month.
   (b) The deposits made during the month.
   (c) The checks paid by the bank during the month.
   (e) The service charge or other charges for the month, if there were any.
   (f) Any special payments the bank has made at your request.
   (g) The balance at the end of the month.

5. When checks are paid, they are canceled and returned to the depositor.

6. Canceled checks that are returned to the depositor are kept as evidence that he has made payment to the payees of the checks. The canceled check is valuable as a receipt.

7. Reasons for disagreement are:
   (a) Checks written and deducted from the checkbook balance may not have been paid before the statement was made.

(b) A service charge shown on the bank statement may not have been subtracted from the checkbook balance
(c) A mailed deposit may not have reached the bank before the statement was made.
(d) An error may have been made by the depositor or the bank.

8. To reconcile a bank statement:
(a) Add to statement balance any deposit not shown on the statement.
(b) Subtract the total of the outstanding checks from bank statement balance. This gives the current bank balance.
(c) Subtract any service charges from checkbook balance. This gives the current checkbook balance.
(d) Make sure balances in (2) and (3) agree.
(e) Find and correct errors, if any.

9. After the bank balance has been reconciled, the total of the service charges should be deducted from the balance remaining after the last check was written.

10. A business may eliminate payroll checks by authorizing a bank to charge its account for the total amount of each payroll and to credit each employee for the amount earned, assuming both employer and employees use the same bank.

Applying Your Business Knowledge page 268

1. Regular account $150 balance
10 checks--$1.50
Special Account

Service charge	$1.00
Checks	1.00
Total	$2.00

The regular account costs $.50 less per month.

2. Carla is correct. Checks, not stubs or registers, serve as evidence that payment has been made.

3. Jerry Watson should consider required balances and the service charges for each type of account. A special checking account might be best for him because he expects to have a limited balance and will write only a few checks per month.

4. (a) The checkbook balance and the bank statement may not agree because:
  (1) Checks may be outstanding (the most likely reason).
  (2) The bank may have made service charges or other deductions.
  (3) Mr. Acosta may have made an error.
  (4) The bank may have made an error.

(b) Mr. Acosta will need to deduct the total amount of outstanding checks from the bank statement balance, and deduct the service charges from his checkbook balance.

5. (a) Janet L. Perry's account number is 326-01622
   (b) 4 deposits
   (c) 13 checks
   (d) Yes. $1.25
   (e) Yes. No. 108 is not shown. Comparing canceled checks to check stub or register entries will reveal outstanding checks.

6. Check handling is such a costly process for banks because of the large volume of checks written. Both personnel and equipment to handle checks are costly. Charges made to customers for handling their accounts are reasonable considering the costs the bank must bear.

Enriching Your Business Understanding page 270

1. (a) overdraft: writing a check for more money than one has in his account.
   (b) insufficient funds: not enough money in the depositor's account to cover checks written.
   (c) stop-payment order: a written order from the depositor directing the bank not to pay a certain check.
   (d) photocopy of a check: a copy of a canceled check furnished at the depositor's request when the original is lost.
   (e) extra statement: a statement in addition to the ones periodically furnished by the bank.
   (f) dormant account: an account which has not been used for a long period of time, usually six months or more.
   (g) postdated check: a check dated after the day on which it was written.
   (h) omission of account number on a check: failure to record on a counter check or some other nonregular check form the number of the depositor's account.
   (i) returned deposit i[illegible] check or other item sent in for deposit and returned [illegible]sitor because, for some reason, the item is un[illegible]
   (j) counter check [illegible]cted account: an unauthorized check form used to [illegible]m an account which is restricted to specia[illegible]ks.

Local practices as to th[illegible]s and charges for them vary.

2. Reports will give various support to a negative answer. Checks probably will never be completely eliminated for many reasons. Some transactions may not be conveniently handled by computers. Converting to an electronic transfer system is very expensive, and

this will postpone the checkless system for a long time. Also, some people prefer to handle their own funds. They may feel intimidated and overwhelmed by an electronic-banking system that handles their money without their ever seeing it. Also, computers are subject to both human error and electronic theft. Will computer records be as readily acceptable as checks for proof of payment? How can individual privacy be maintained when a computerized bank record could reveal so much about a person? These and many other reasons may be cited in student reports.

3. Answers will vary. Here is an example of how credit for average balance works: Suppose that the Wilcox State Bank computes service charges on regular checking accounts as follows: monthly maintenance charge, $1.00; amount charged for each check written, 8 cents; amount charged for each check deposited, 6 centsl A credit of 15 cents is given for each $100 in the average balance for the month. This credit, given for even $100's only, is applied to the total charge for the month.

Now, suppose that a depositor in the Wilcox State Bank writes 20 checks, deposits 2 checks, and has an average bank balance of $450. His service charge is found in this way:

Maintenance charge	$1.00
20 checks written at 8 cents each	1.60
2 checks deposited at 6 cents each	.12
%o5al charges	2.72
$450 average balance at 15 cents each even $100	-.60
Net service charge	2.12

4. To average $600, an account may frequently dip to a very small balance and have a large deposit pull the balance up to the required average. This means that (1) the bank will be handling an account which often has a very small balance; (2) the bank will not have a $300 balance in the account which it can count on to lend. Maintained minimum balances are in reality time deposits.

5. Answers will vary. Illustration 22-5 on page 266 in the text and Enriching your Business Understanding question 20-2 in this manual will be useful here.

PART 23

MAKING PAYMENTS BY OTHER MEANS

Learning Goals

1. Understand why money and personal checks are not always used in transmitting payments.

2. Analyze the reasons for the selection of a particular method of sending a payment to a distant place.

3. Appreciate the need for choosing the method of payment that will be the most satisfactory to the receiver.

4. Understand why traveler's checks are more useful for travelers than are other forms for making payments.

Suggested Teaching Procedures

1. A person who has a checking account ordinarily sends a payment to another city in the form of a check. Some people, however, do not have checking accounts. For their use other forms of payment are provided. Furthermore, there are instances in which a personal check is not a convenient form to use in making a payment even though the person has a checking account.

The major purpose of this part is to discuss the more commonly used remittance forms other than personal checks. The students should understand, of course, that checks are used most frequently in business and that the forms referred to in this part are used only when personal checks are not available or when, for some reason, their use is not desirable. Transparency Master 23-2 identifies the signatures required when purchasing and using traveler's checks.

2. Stress the following points to the students:

(a) If the payee of a money order is in a community where he is not known, identification may be required before a money order can be cashed; but it is likely that a money order can be cashed more easily than a personal check.

(b) A bank draft, a certified check, or a cashier's check are most useful to individuals who wish to transmit payments of large amounts. Transparency Master 23-1 illustrates a check as it is written by the depositor and then certified by the bank.

(c) A bank money order may be purchased from a bank. It is written in the same manner as a personal check and has all of the advantages of a postal or express money order.

(d) Remittances may also be sent by telegraph when immediate delivery is required.

4. Have the students prepare an exhibit of the various types of forms used in this part. Label the forms to call attention to the similarities and differences.

5. Ask the students to cite any experience they may have had in which they needed to pay for a purchase in another city and had no checking account. What were their solutions? Any of the *Applying Your Business Knowledge* activities 1-4 might be used to launch the discussion; all involve people in such situations.

6. Supplementary Activity B in the workbook provides a device through which the students can check their understanding of various means of making payment other than by check.

7. Ask students to describe situations in which each of the different methods of making payment described in this part might be used to advantage.

PART 23

MAKING PAYMENTS BY OTHER MEANS

Improving Your Business Vocabulary page 279

1. bank money order
2. postal money order
3. express money order
4. telegraphic money order
5. traveler's check
6. certified check
7. bank draft
8. cashier's check

Understanding What You Read page 279

1. A person would likely use a money order when he does not have a checking account and wishes to send a small payment through the mail.

2. The paid money order is returned to the bank that issued it.

3. Yes, because it can be cashed only after it is signed by the payee.

4. The postal clerk fills in the identifying numbers and the amount. The buyer fills in the name and address of the payee, his own name and address, and the purpose of the money order.

5. The following chart shows the differences in express money orders, bank money orders, and postal money orders.

	Express money order	*Bank money order*	*Postal money order*
Purchased at	Express office or at some drugstore travel agencie and other places	Banks	Post Offices
Maximum amount of order	$200	Varies with individual banks	$300
Where cashed	Express office bank or transfer to another person	Bank or transfer to another person	Post office bank or transfer to another person

6. The amount to be sent and the cost of the service are paid to the local telegraph office. The local office then telegraphs the

office where payment is to be made, directing it to make payment to the person who is to receive the amount.

7. Advantages of travelers' checks are:

(a) They provide two places for the signature of the traveler on each check. One signature is written when the check is cashed. This provides positive identification for the traveler and enables him to cash the checks almost anywhere. It would be difficult to cash personal checks in a city where one is a stranger.

(b) If the checks are lost or stolen, they will be replaced without charge. Cash lost or stolen is usually not recovered.

8. Banks certify checks by writing or stamping the word "certified" on the face of the check. This certification is then signed or initialed by the cashier or other bank official.

9. A bank draft is signed by a bank official ordering payment out of funds deposited in another bank. A cashier's check is signed by a bank official ordering payment out of funds in his own bank.

10. Ask a bank official for advice.

Applying Your Business Knowledge page 280

1. Billy would not have had to pay his dues a second time if the remittance had been sent in the form of a check or money order.

2. A money order. A certified check is a personal check which the bank guarantees; you have no checking account. A bank draft is used for large payments; you are paying only $18.

3. The money order may be purchased at a post office upon the payment of $7.28 plus the charge for the order. You would be given the order on which the clerk would have stamped identifying numbers and the amount, $7.28. You would fill in Burlo Mills, Inc. and the company's address, your name and address, and the purpose--knitted cap. You would mail the order to Burlo Mills and keep the carbon copy as your receipt.

4. He may telephone his father and have money sent by telegraph.

5. Payments of the Garcia Family:

Kind of Payment	*Form of Payment*	*Reason*
(a) Paid telephone bill at local office	Cash or personal check.	Amount is small and cash may be used. Receipt should be obtained.

		By check, if the family makes a practice of paying all bills by check.
(b) Paid monthly payment on house at local bank	Personal check	Presumably will have checking account. Thus canceled checks are records of payments
(c) Paid federal income tax.	Same as b	Same as b
(d) Bought automobile license	Cash or personal check.	Amount is small; cash may be used.
(e) Paid $125 for goods ordered from a Chicago mail-order house.	Certified check, cashier's check, bank draft, or money order	If goods are desired immediately, personal check should not be used, because mail-order house may wait until check clears before shipping order.
(f) Mr. Garcia had an automobile accident 300 miles from home. Was sent $250 by fastest method.	Telegraphic money order	Money would be sent at once and received within a few hours or less; or if sent late at night in some towns would be delivered early next morning.
(g) Paid for automobile repairs at local garage, $14.75	Cash or personal check.	If person is well known, his personal check will be accepted. If he pays cash, he should get a receipted bill.

Note: The Garcias might also direct their bank to pay the telephone bill and the house payment by electronic money transfer. In this case, no form of check or money order would be needed.

Enriching Your Business Understanding page 282

1. Answers will vary, since local businesses and agencies will be cited. The cost of the bank money orders will be determined by the individual bank. A $10 postal money order will cost 25 cents; $50 order 35 cents. Express-money orders are about the same as postal money orders. Telegraphic money order charges are based on amount sent, where delivered, distance sent, and accompanying message, if any.

2. Answers will vary. Real estate transfer is a complicated legal process and involves large sums of money. A certified check is guaranteed by the buyer's bank and the contract can be consummated at the time of the closing without the delay involved if a personal check had to clear a bank.

3. Traveler's checks can be cashed almost anywhere. They would be convenient for a person in a large city because he could cash them even in parts of the city where he is not known. He would also eliminate the risks of carrying cash.

4. The words are addressed to the writer of the check. Usually when a check is written and the drawer decides not to send it to the payee, he destroys the check. When a check is certified, the amount is deducted from the writer's account and held for the payee. If it is not used by the drawer, he can return it to the bank to be put back into his account. After it is paid, it becomes evidence that payment was made.

5. Answers will vary. Some large metropolitan banks also issue traveler's checks.

6. You could pay for purchases with them; cash them, and spend the cash; you could endorse them and deposit them to your checking or savings account; or you could keep them for another trip.

PART 24

CASHING AND DEPOSITING CHECKS

Learning Goals

1. Understand that checks are commonly accepted as money substitutes and that the inconvenience and danger involved in carrying large sums of money may thus be avoided.

2. Understand that an endorsement is required to transfer most checks and that it is placed on the back of a check near the left end.

3. Identify the reasons for writing a blank endorsement, a special or full endorsement, and a restrictive endorsement.

4. Understand that banks have established a system for returning a depositor's checks to his bank no matter where they have been sent.

5. Appreciate the wisdom of exercising caution in accepting and cashing checks even though they appear to be properly endorsed.

6. Understand why strangers should not be expected to cash checks and why identification should be furnished whenever checks are offered for payment.

7. Identify the procedures for clearing checks through the same bank, between banks in a small town, between banks in large cities, and between banks in different cities.

Suggested Teaching Procedures

1. In this part special emphasis should be placed on the means of transferring a check by endorsement, the responsibility of the endorser, and the need for the identification of a person transferring a check by endorsement.

Students should understand the more important kinds of endorsements and the rights of the holder when each type of endorsement is used.

Only the blank endorsement, the special endorsement, and the restrictive endorsement are discussed in this part. These are the endorsements that are most common and most readily understood by the average student.

An endorsement for deposit is not the only form of restrictive endorsement. In general, any endorsement that restricts or limits the use of the check is said to be restrictive. For example, the endorsement, "Pay to E. L. Miller only," may be said to be restrictive, for it makes the check payable only to Mr. Miller and prevents his transferring the check to another person.

2. The following points deserve special attention:

(a) An endorsement is needed so that the bank can prove that payment was made upon the order of the payee and so that it can hold the endorser responsible if the check does not prove to be valuable. An endorsement is also valuable from the point of view of the depositor as it proves that the payee actually received payment. The canceled check thus becomes a valuable receipt.

(b) The endorsement should be written on the back of the check near the left end. Some checks are written on cards that are punched at the left end for automatic processing with machines. Such checks cannot be endorsed at the left end, but they should be endorsed as near to the end as is convenient. Uniformity in the placement of endorsements aids those handling checks.

(c) If his name is incorrectly spelled on a check, the payee should endorse the check exactly as the name is spelled and should then write his name with the correct spelling directly below.

(d) When a payee endorses a check, he guarantees that it will be paid. Furthermore, each succeeding holder who endorses the check guarantees payment. A person accepting an endorsed check therefore has the guarantee of the payee and of each succeeding endorser that payment will be made. A person should therefore not accept and endorse a check if he is not willing to guarantee its payment.

(e) Checks received should be deposited or cashed promptly. A check that is held for a long time after it has been received may not be payable on demand because the drawer may have died in the meantime, or the amount of the check may cause an overdraft in the drawer's account at the time it is presented for payment. For these and other reasons the payee may encounter considerable trouble or delay in obtaining his money on demand if he keeps a check for an unreasonable time before presenting it for payment.

(f) A person should accept checks only from those whom he knows or from individuals, agencies, or companies with established reputations. It makes little difference whether the person offering the check is the drawer or an endorser. There is always a possibility of loss if checks are accepted from strangers.

3. An exhibit showing the different forms of endorsements discussed in this part may be prepared. Actual checks brought to class by the students may be classified according to their endorsements and may be used for this exhibit. If a check containing many endorsements is obtained, an interesting activity can be created by tracing the path traveled by the check.

4. Each student may be asked to write a check payable to some other student. The payee may then transfer the check by endorsement to another student, and this student may endorse the check preparatory to depositing it in the John Doe Bank.

5. A speaker from a local bank may be asked to talk to the class about the difficulties banks face in handling the checking account transactions of customers who are careless in writing, endorsing, and cashing checks. He may also be asked to explain the procedure used by local banks in clearing checks.

6. Transparency Masters 24-1 and 24-2 trace the path that checks follow in a small town, in cities, and between cities. Interest can be heightened by substituting students' names for the drawer, payee, and banker roles represented on the transparency master as they are projected to the class.

7. *Applying Your Business Knowledge* activity 1 on page 291 of the text gives the students an opportunity to review endorsements by selecting an endorsement appropriate to several situations. *Applying Your Business Knowledge* activities 2 and 3 should be used to help students achieve Learning Goals 5 and 6. *Enriching Your Business Understanding* activities 1, 2, and 4 on pages 293-294 also will contribute to these learning goals.

8. Students participate in role playing activity in which one student goes to the bank where he is known and presents a check for $1,000. It is cashed. Another student presents a check for $100 at a bank where he is not known. His check is not cashed. Is this a fair business practice? Explain your answer.

Achievement Test 7 should be administered after the students have completed Part 24.

The first Semester Examination, Test 8, should be administered after the students have completed Unit 6.

PART 24

CASHING AND DEPOSITING CHECKS

Improving Your Business Vocabulary page 290

1. endorsement
2. blank endorsement
3. special or full endorsement
4. restrictive endorsement
5. clearing a check
6. clearinghouse

Understanding What You Read page 291

1. Three ways of using a check received include (1) cashing it at a bank, (2) depositing it in a bank account, (3) transferring it to another person or business.

2. Endorsement shows that (1) the check has been transferred to someone other than the payee or (2) that the payee has received payment from the bank.

3. Ordinarily the endorsement should be written on the back of the check near the left end. This has become common practice and placing endorsements in this position facilitates the handling of checks. Banks will accept checks that are endorsed elsewhere provided that the signature is identifiable as an endorsement.

4. A special endorsement. This endorsement includes the name of the individual to whom the check is transferred. A blank endorsement would transfer the check to anyone. A restrictive endorsement limits the check to a specific use.

5. A restrictive endorsement.

6. As an endorser of a check, you promise that if the check is not paid by the drawer, you will pay it.

7. Responsibilities include these: (1) A check should be presented for payment within a reasonable time after you receive it. (2) You should accept checks only when they are written or endorsed by people you know and trust. (3) You should not expect strangers to cash your checks.

8. Just as you would not accept a stranger's check, so you cannot expect strangers to accept your checks. The following methods of establishing identity are sometimes used: locating someone who is known to both you and the person to whom you offer your check; presenting a driver's license, club card, or other forms of identification carries. However, it should be remembered that no one is obligated to accept a check.

9. Anyone has the right to refuse to cash a check. If a stranger cashes a check for you, he does so as an accommodation to you and not because he is required to.

10. (a) Clearing checks through the same bank is accomplished by the simple bookkeeping process of deducting the amount from the drawer's account and adding it to the payee's account. The check is then canceled and returned to the drawer.

(b) In small towns checks are usually exchanged directly between banks each day. The bank holding the smaller amount of the other's checks pays the difference.

(c) Banks in large cities return local checks through a local clearinghouse. Payments for balances due are paid to the clearinghouse directly.

(d) Most checks drawn on banks in other cities are cleared through the Federal Reserve System. Each of the Federal Reserve banks acts as a clearinghouse for member banks located in its ditrict.

Applying Your Business Knowledge page 291

1.	*Endorsement to be used*	*Endorsement*	*Reason*
(a)	Blank	Richard R. Holmquist	Check is to be cashed in person, not mailed.
(b)	Restrictive	For deposit only Doris A. Bishop	If lost, cannot be cashed; can be used only for deposit to Bishop's account.
(c)	Special or full or	Pay to the order of Stop and Shop Supermarket David Gilbert	No one except Stop and Shop can cash the check.
	blandk	David Gilbert	Acceptable, but if lost, anyone can cash it.
(d)	Restrictive	For deposit only Sara Cutchens	Can be used only for deposit to Sara's account;
(e)	Restrictive (if mailed)	J. T. Hale For deposit only J. T. Haile	If lost, can't be cashed.

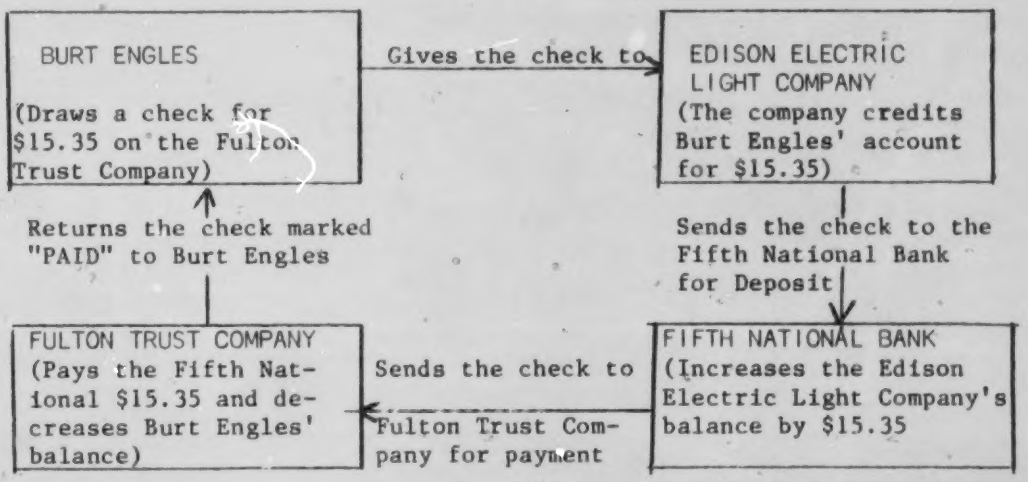
blank (if in person)	J. T. Hale J. T. Haile	If deposited in person no risk of loss, as by mail.

2. This will make the check more acceptable for, by endorsing the check, Abe Carter guarantees its payment. If, then, Ed Godfrey does not have funds to pay the check, you can collect from Abe Carter. As you know him well, his endorsement will be more valuable to you than the signature of Ed Godfrey.

3. The drugstore owner probably does not know Joan Adams. He may also fear that as a minor, you might not be held responsible for making the check good. Your father's endorsement makes the check acceptable, since he promises to make the check good if it should bounce.

4. The bank will probably collect the amount of the check from C. R. Tabb, although it can hold either of the other endorsers responsible. If collection is made from Mr. Tabb, he, in turn, may collect from either of the prior endorsers. If Mr. Tabb actually collects from Mr. Tinsley, Mr. Tinsley may collect from Mr. Green. As the drawer cannot be found, Mr. Green, the first endorser, will lose the amount of the check.

5.



BURT ENGLES (Draws a check for $15.35 on the Fulton Trust Company)

Gives the check to

EDISON ELECTRIC LIGHT COMPANY (The company credits Burt Engles' account for $15.35)

Sends the check to the Fifth National Bank for Deposit

FIFTH NATIONAL BANK (Increases the Edison Electric Light Company's balance by $15.35

Sends the check to Fulton Trust Company for payment

FULTON TRUST COMPANY (Pays the Fifth National $15.35 and decreases Burt Engles' balance)

Returns the check marked "PAID" to Burt Engles

Enriching Your Business Understanding page 293

1. Answers will vary since individual businesses or agencies and their check-accepting practices will be cited.

2. Reports will vary. Most supermarkets post rules about their check-cashing practices. This might be a good project for group assignments.

3. Funds of many government agencies have to be accounted for periodically; often any unused funds are then turned to other uses. Special purpose funds are often set aside for use in a specified time and accounts must be closed when the period ends. Checks which remain outstanding beyond a reasonable time could complicate this process. It is, in fact, wise to cash all checks promptly. It is, in fact, wise to cash all checks promptly. This not only gives you the advantages of using the money or receiving interest on it; it also facilitates the bank reconciliation for the drawer.

4. (a) Probably will acept, but payee should be asked to prove his identity.

(b) Doubtful. Since the payee is known only slightly and the drawer is not known at all, the cashier would be taking a risk in accepting the check. Approval of store manager should be requested.

(c) Ordinarily yes, particularly if it has been the practice of the family to present checks in this fashion. Otherwise approval of the store manager should be requested.

(d) No. Whether written in pencil or ink, it is always risky to accept a stranger's check.

(e) Ordinarily no. May depend somewhat upon identity of drawer. May be wise to call bank or drawer before accepting.

(f) No. This is a common practice used by dishonest people to obtain funds.

UNIT 6

OTHER SOURCES OF INFORMATION

1. Huntington National Bank
   Columbus, Ohio *(Free)*

   "Banking is..." Checkset

2. The American Bankers' Association
   Banking Education Committee
   1120 Eonnecticut Avenue, N.W.
   Washington, D.C. 20036 *(Free)*
   (Check also with City National Bank and Trust Co., Columbus, Ohio)
   "Using Bank Services"

3. Federal Reserve Bank of Cleveland
   Cleveland, Ohio 44101 *(Free)*
   "Keeping Our Money Healthy"
   "Story of Checks"
   "The Federal Reserve System, Purposes and Function"
   "A Day at the Fed"

4. Federal Reserve Bank of Boston
   Bank and Public Information Center
   Boston, MA 02106 *(Free)*

   "Checkpoints: How to Write and Use Checks"

5. Board of Governors of the Federal Reserve System
   Publications Services
   Division of Administrative Services
   Washington, D.C. 20551 *(Free)*

   "What Truth in Leading Means To You"

6 National Association of Bank Women, Inc.
   111 E. Walker Drive
   Chicago, IL 60601

   Publication--"A Career for Women--Banking"

7. "Fred Meets a Bank" *(Film)*
   Coronet Films, Inc.
   56 E. South Water St.
   Chicago, IL 60601

8. "Future Unlimited"
Association Films, Inc.
Broad and Elm Street
Ridgefield, NJ 07657

9. "How to Use Your Bank"
Association Films, Inc.
Broad & Elm Street
Ridgefield, NJ 07658

10. "Money & Banking in Our Everyday Living"
Banking Education Committee *(Free copy)*
The American Bankers Association
90 Park Avenue
New York, NY. 10016

11. "Money and Banking"--Banks' Services *(Film-free)*
Federal Reserve Bank of Cleveland
Bank Relations, Public Information
1455 East Sixth Street
Cleveland, Ohio 44101

UNIT 7 USING CREDIT WISELY

Credit has become a vital force in our marketing-oriented economy. Credit is available to most consumers for buying almost everything. Credit is a selling tool in the consumer goods market and is used for sales credit as well as loan credit. Credit has also become a way of life for business and industrial firms, as well as local, state, and federal governments.

In these times, the theme of "buy now--pay later" is familiar to everyone, and the language common to the many kinds of credit card plans is familiar to adults and teenagers. For these reasons, this unit now reflects a contemporary treatment of the world of credit. The unit is oriented to the realities of everyday credit decision-making, and less emphasis is placed on the mechanics of computing interest costs. The goal of this unit is economic understanding of credit as a factor of choice when buying.

The unit stresses that credit is in important economic force; it also emphasizes that the student must learn to deal realistically with the mechanics of credit in everyday life. However, the unit does not neglect the important considerations of the actual costs of credit, the new legislation affecting the disclosure of credit and finance costs, or the need for maintaining good credit records.

The objectives are to:

(1) Be able to explain how credit acts as a vital force in the economy by stimulating sales of products and services.
(2) Know the sources of loans.
(3) Know the difference between sales and loan credit.
(4) Identify the various types of sales credit plans and be able to discuss their advantages and disadvantages in a particular buying situation.
(5) Know how to find out the cost of credit.
(6) Show the relationship of credit guidelines to actual purchases by the customer.
(7) Determine how to build and protect a good credit reputation.
(8) Explain how consumers benefit from credit legislation.

PART 25

MEETING NEEDS AND WANTS WITH CREDIT

Learning Goals

1. Understand the use of credit by all members of our economy--business, government, and consumers.

2. Appreciate why it is reasonable for a merchant to ask questions before granting credit.

3. Know the basis on which a seller will evaluate you before deciding to allow credit.

4. Become aware of the trouble spots in the unwise use of consumer credit.

Suggested Teaching Procedures

1. In this opening part of the unit, credit is shown as an act of faith and trust in a promise to pay. Place special emphasis on the value of the prompt fulfillment of personal obligations. Students should realize that habits of promptness in their personal affairs contribute to the development of habits of promptness in their business affairs. Draw from the students ideas as to the relationship between general reputation and credit rating. Show that character alone will not suffice. One must have a reputation for paying one's debts.

2. Transparency 25-2 demonstrates that a business which offers credit needs to sell more because it will have some uncollectable accounts. Indicate why it is difficult now for small businesses to offer credit unless they know their customers very well.

3. The statements in *Applying Your Business Knowledge* activity 5 can be the basis of a class discussion. Each student can answer individually. Then the class results can be tabulated and discussed or the answers can be discussed in small groups to get varying points of view.

4. To illustrate the misuse of credit by many people, ask student committee members to interview such people as the manager of a credit union, the credit manager of a large store, or a representative of a collection agency. Also, representatives from welfare and social agencies can describe special problems of the economically deprived in their use of credit.

5. As a special project, ask selected students to research and discuss the topic: "The affluent white-collar employee often gets into more credit difficulties than the low-income person." The statement is considered true by some credit experts.

6. Transparency Master 25-1 illustrates the growth of credit-card use by several examples. You may want to refer back to this transparency when you reach Part 27.

7. An interesting way to demonstrate to the class the impact of credit in our society is to review a copy of The Columbus Dispatch. Underline in red every reference to borrowing including the regular advertisements. The class will also learn about various forms of credit as they read about a government loan to a foreign country, a local bond issue, or a reference to a new business being financed.

8. Invite the school district's business manager to class to talk about the school's uses of credit. Contact Charles C. Hall at the Education Center - 225-2610.

9. Using the case of the Sorensen family on page 299, ask students to keep a record of the credit activities that they and their own family engaged in for a week. Caution students to secure permission from their families before reporting personal business.

10. Here is an opportunity to make a survey of adults, such as parents and relatives to find out their reasons for the use of cash or credit. Use the credit quiz provided or develop your own in the classroom. The results should be tabulated and discussed in class.

11. Contact the Credit Bureau of Columbus, OH 170 East Town Street concerning a speaker on a field trip. Suggested topic could be CREDIT AND CAREERS IN THE CREDIT FIELD. PHONE 461-5300.

12. Appoint a committee to make a bulletin-board display of the items on credit from newspapers and magazines.

13. Discussion topic. Some day there will be no money. Everyone will have credit cards and purchases will be registered in banks along with the salary you earn from working.

14. Discussion topic: People who pay cash are happier. They don't owe money.

CREDIT - QUIZ

	True	False
Credit is never good	____	____
We should always pay cash	____	____
Credit rating is important	____	____
Only durable goods should be bought on an installment basis.	____	____
Once I decide on the type of credit I want to use, there is no need to shop around for the best terms.	____	____
An unsecured loan is best taken out at the local savings banks.	____	____
A TV bought on an installment basis:		
a) belongs to me the minute I bring it home	____	____
b) can be returned to the store easily	____	____
Credit is added income.	____	____
Credit can -- under certain circumstances-- be a form of "forced savings."	____	____
When credit terms are "easy" and the amount I consent to pay weekly is small, it is not really necessary for me to sit down and figure out the total amount of debt and if I can really afford it.	____	____
"Easy" credit is usually cheap.	____	____
A good credit rating will usually qualify a person for a low-cost loan.	____	____

Prepared by: Mrs. Denise M. Matejic, Assistant Specialist in Family Resource Management, N. J. Cooperative Extension Service, Rutgers University.

Other sources of information:

1. Credit Reporting Bureau Inc.
   Phone number is 224-6548.

2. Ohio Credit Union League
   Phone number is 486-2917 Movies and slides

3. Ohio Consumer Loan Association
   Phone number 221-7527
   " Teachers Kit - Consumer Credit" Free
   "Catalog Slide Guide"

4. Credit Bureau of Cincinnati
   309 Vine Street
   Cincinnati, Ohio 45202

5. Dunn and Bradstreet "Growth of Credit
   1290 Avenue of the Americas Functions"
   New York, N. Y. 10009 Free

6. National Foundation for
   Consumer Credit
   1819 H Street, NW
   Washington, D. C. 20006
   "Using Our Credit Intelligently"
   "Publications List" Free

7. Publications Services
   Division of Adminstrative Services
   Federal Reserve System
   Washington, D. C. 20551
   "What Truth-in-Lending Means to You."
   "What You should Know Regarding Regulation 'Z'"

PART 25

MEETING NEEDS AND WANTS WITH CREDIT

Improving Your Business Vocabulary — Page 305

1. credit
2. debtor
3. creditor
4. character
5. capacity
6. capital
7. credit rating

Understanding What You Read — Page 305

1. The debtor promises to repay a loan or pay later for goods and services received, and the creditor honors this promise.

2. If you sign a credit statement, you are promising to pay a certain amount at a certain time.

3. American consumers use credit often to buy products which are fairly expensive and will last for quite a while, such as a house, a car, furniture, or appliances. They also use credit for convenience in making smaller everyday purchases, such as meals, gasoline, and clothing. They also use credit to borrow money to pay large debts.

4. A business may use credit to buy land and equipment and to construct buildings. It may also borrow to meet temporary needs for cash, perhaps to buy goods for inventory.

5. The government uses credit to buy large items, such as cars, aircraft, and uniforms. Public buildings are usually constructed on a credit basis.

6. A store owner is careful in extending credit because the owner must be reasonably sure the buyer will pay the debt. Goods bought but not paid for represent a loss to the merchant.

7. The three Cs of credit are character, capacity, and capital:
   Character--a good reputation for paying bills, a good standing in the community, and a good credit rating. Important because what a person will do in the future can be judged to some extent by what that person has done in the past.

Capacity--a sufficiently large income so that continued prompt payment of bills is probable. Important because it may not be wise to grant additional credit to a customer with a small income even though that customer has had a good credit rating in the past.

Capital--how much the customer is worth. Important because capital is further assurance that the customer will be able to pay.

8. Most sellers think they can increase sales and profit by using credit. Credit attracts customers who might have to postpone purchases if they intended to pay in cash.

9. Four advantages for the person who uses credit are:
   (a) convenience
   (b) establishment of a good credit rating
   (c) ability to buy items on sale, even when the cash for the purchase is not available
   (d) immediate possession of items purchased

10. Unwise use of credit can lead to:
    (a) overbuying
    (b) laziness in shopping because credit is so easy to use
    (c) paying more for purchases because of the expenses involved in credit

Applying Your Business Knowledge Page 306

1. Borrowers usually have to sign a written agreement to pay so that there is proof that credit has been granted. Businesses that extend credit have thousands of credit customers and must have written records of all transactions. Also, the agreement to pay becomes a legal document that is important if the borrower should be unable or unwilling to pay.

2. The advantage to buying a few things on credit even if you do not have to is that you are establishing a credit record. Prompt payment of loans or credit statements earns you a good credit rating. Then, if you should want or need to borrow someday, you will have an established record as a person who pays what is owed.

3. (a) Actually neither Joe Kopelli nor Sue Porter is practicing the best money management. Both have extreme points of view, although Sue's plan is the better of the two. However, there may be times that she may suffer great inconvenience if she never borrows, even in the event of an emergency. Joe may find that he will ruin his

credit standing so that eventually he may not be able to buy anything on credit, and some of his purchases may even be taken away from him if he cannot pay for them.

(b) Both Joe and Sue should learn that the wise use of credit includes: buying needed items when prices are low; writing one check a month to pay for several purchases; buying expensive items on credit and enjoying them while they are being paid for it. Every individual should be a master of credit, and not a slave to meeting payments based upon thoughtless credit buying.

4. Mr. Hoffman is considering expanding his shop to carry more expensive items. He may find that customers will not buy as readily if they have to pay cash for these items. From this standpoint, credit will be a help to the business. Granting credit will cost Mr. Hoffman in the administrative expenses involved in handling credit accounts. He will probably also encounter some uncollectible accounts.

5. (a) This is true, within limits. One should never use this as an excuse for overbuying. Too great an extension of credit so that individuals cannot pay what they owe could result in businesses not being able to pay what they owe. Thus, if credit is too greatly extended, business on the local and national levels could be harmed.

(b) This is extremely doubtful, although sometimes argued very strongly. There is no question that when people have the privilege of buying on credit they buy more, or more expensive items, and this stimulates business.

(c) It is very true that a person who buys on credit and who establishes a good record for making payments builds a credit rating, which can be extremely important if money needs to be borrowed to meet an emergency.

(d) Benjamin Franklin once said, "He who goes a-borrowing, goes a-sorrowing." Credit can, indeed, be a worrisome thing. The careful use of credit represents good money management; the overuse of credit can cause real financial and personal distress.

(e) Generally speaking, good money managers use credit to purchase durable goods and for emergency purposes. Purchasing too many nondurable goods on credit is not desirable practice, since it is destructive to personal morale to keep paying on an item that has long since been consumed.

Enriching Your Business Understanding Page 307

1. Collateral is property owned by a borrower that is pledged to protect the repayment of an amount borrowed. Collateral may be securities (stocks and bonds) or it may be a person's house, furniture, car, or anything else of value. The agreement between the borrower and the lender states that if the borrower does not pay, the collateral becomes the property of the lender.

2. Credit ratings are established primarily on the basis of a reputation for paying bills. The total wealth of a family or the total worth of business property has relatively less value in determining a credit rating.

3. Answers will vary, but rules for extending credit to students would probably include at least some of the following:
   Letters from parents giving approval.
   All payments due within three days or some other short period of time.
   Credit limits of $5 or some other similar amount.
   Parents to be notified if credit privilege is abused.
   Habitual users of credit to be discouraged--service primarily for those who forgot or lost lunch money.
   Credit restricted to food items and other necessities, and not granted for purchase of luxury items.

4. Probably each example cited would be hurt if no credit were available.

   (a) A newly married couple may need credit to purchase household items or to purchase a home.

   (b) A small retail clothing store almost certainly uses credit in its dealings with clothing manufacturers. It also may have charge accounts for its customers.

   (c) An airline company makes use of credit in its customer accounts. It also uses credit in making large purchases of equipment and supplies.

   (d) A salesperson who travels by car would use credit to pay for food, lodging, and other travel expenses. It would be risky to carry sufficient cash to pay for these expenses, and by use of credit cards the purchases can be billed directly to the salesperson's employer if desired.

(e) A local school district uses credit when it issues bonds to pay for large expenses. If credit were no longer available, it is likely that no new schools or improvements to schools could be built for a long time.

apply to the writing of notes.

5. Students should learn the basic calculations involved in computing the cost of single-payment loans. Examples of these calculations are given on pages 313-314 of the textbook. The purpose here and in the activities at the end of the part is to make students aware of how interest is calculated and to reinforce such terminology as *proceeds* and *discount*. *Note:* Only one method of calculating interest is explained in this part. The 60 day, 5% method is explained and illustrated in Appendix C on pages 607-609 in the textbook. The teacher may prefer to teach the 60-day, 6% method. However, for most classes it is advisable to teach *one method* well, rather than confuse students by trying to teach more than one method.

6. The method of calculating interest on installment loans is shown in Appendix C, pages 609-612. Ask the students to go to local merchants and obtain charts--if possible--of how they calculate interest.

7. Transparency 26-1 illustrates a point scale which some lenders use when interviewing an applicant for a loan. Ask students to divide into groups of three, with one acting as the loan officer, another as the loan applicant, and the third as an observer. Have the applicant answer the questions as he or she thinks a 21 year-old person might. Have the observer take notes and critique the interview answering questions such as (a) Did the applicant contradict himself or herself? (b) Was the loan officer polite and courteous? (c) Was the situation as perceived by the applicant realistic?

8. Transparency 26-2 illustrates the kind of form that a credit applicant should receive if the application is denied.

9. Pages 309-311 list four sources of loans. Ask a committee of students to make a list of these firms which operate in the Columbus area. The Yellow Pages are a good source.

10. Invite a loan officer from two different sources to come to class and explain the procedures when a person applies for a loan. Ask that they send, in advance, sample copies of forms that they use and have a student committee prepare a bulletin board. Consider also having students visit local loan agencies and collect application forms.

11. Have students survey their local community to find examples of businesses that do not extend credit. Possible

PART 26

OBTAINING A LOAN

Learning Goals

1. Understand why individuals borrow money.
2. Identify the sources of consumer loans and explain the basic differences among the sources.
3. Define the nature and purpose of a promissory note and illustrate the correct form.
4. Understand what is meant by security for a loan and why a lender may require it.
5. Understand how interest is calculated on loans.

Suggested Teaching Procedures

1. This part on borrowing money logically follows the presentation of the nature of credit in the preceding part. The matter of borrowing relates to two common forms of individual borrowing--the single-payment loan and the installment loan. Place special emphasis upon the sources of loans since many people are not necessarily aware of possibilities.

2. To bring the discussion to the student level, consider discussing the fact that teenagers do indeed borrow money from one another, and ask if such things as notes, security, and interest are in any way involved. They usually are, although more informally than stated in the text, and students should recognize this. Use *Enriching Your Business Understanding* activity 1.

3. Another way of helping the student appreciate the importance of loans is to correlate *Applying Your Business Knowledge* activity 3 and *Enriching Your Business Understanding* activity 2. This will help many young people realize that they can afford an education beyond high school if they are willing to use deferred income as an investment in themselves.

4. Information about notes that should be stressed is:

(a) Loans can be obtained most readily by those who own property and who have a reputation for paying their debts promptly.

(b) A note is a written promise to pay money.

(c) A note should be written carefully in ink. In general, the methods that apply to the writing of checks also examples are chain grocery stores, bus lines, taxicabs, barbershops, and beauty shops. Then raise the following discussion questions: Why don't these retailers offer credit?

12. Have students enumerate ways in which they use credit.

13. Have students fill out different credit application forms. Discuss the various questions on the form.

14. Invite a speaker to class from the Consumer Credit Counseling Service of Greater Columbus. The phone number is 261-7156.

15. Make up and discuss a list of places to call to report dishonest credit practices. Why are these places necessary?

16. Do you agree or disagree with the following? Why? A person who has held a job for twenty years earning $100 a week should be able to borrow more easily than a person who has held a job for one year earning $1000 a week.

Other Sources of Information:

1. National Consumer Finance Association
701 Solar Building
Educational Services Division
1000 Sixteenth Street, NW
Washington, D.C. 20036

"Finance Facts" Monthly Newsletter - Free

2. Arizona Consumer Loan and Finance Association
4141 North Seventh Street
Phoenix, Arizona 85014

"Arizona Consumer Loan and Finance Association Newsletter" bi-monthly - free

3. Modern Talking Pictures
45 Rockefeller Plaza
New York, N.Y. 10020

Credit - How Credit Operates Business

"Impulse 90" - "Cashless Society of The Future"

PART 26

OBTAINING A LOAN

Improving Your Business Vocabulary Page 317

1. credit union
2. savings and loan association or building and loan association
3. consumer finance company
4. promissory note or note
5. signature loan
6. security
7. mortgage
8. endorser
9. single-payment loan
10. installment loan
11. discount
12. proceeds

Understanding What You Read Page 317

1. Examples will vary. In general, the buyer might wish to borrow rather than using a credit plan when it is more economical to do so, when no credit plan is available from the seller, or when the buyer does not qualify for the seller's credit plan.

2. *Banks* usually handle many consumer and business loans. Bank lending requirements are usually very strict, but bank loans are one of the least expensive means of borrowing. *Credit unions* are organized by people who have something in common, such as the employees of one company. Their interest charges are sometimes even lower than those of banks. *Savings and loan associations* make loans to those who want to buy or build such things as houses, apartments, or business buildings. Loans are usually made for long time periods. *Consumer finance companies* lend mostly small amounts of money. Although they lend to people with weak credit ratings, their interest rates are among the highest.

3. The lender makes a profit by charging interest.

4. Lenders want security so that they have an assurance that the loan will be repaid.

5. In order to calculate interest, you must know (1) the rate of interest, expressed in the form of a fraction; (2) that interest is charged for each dollar or part of a dollar borrowed; and (3) that the interest rate is based on one

year of time.

6. Interest is a charge made for a loan. Discount is interest that is paid in advance and is subtracted from the amount of the loan.

7. (a) When the time of the note is stated in months, the date of the maturity is the same day of the month as the day of the note. If a note is dated February 15 and is to run 1 month, it will be due March 15.

   (b) When the time of the note is given in days, the exact number of days must be counted to find the date of maturity. This can be done by finding the number of days remaining in the month when the note was written and then by adding days in the following months until the total equals the required number of days.

8. The interest rate for a loan that is paid back in monthly installments is greater than the rate for a loan paid back at the end of the year because the borrower has use of the money for a shorter period of time.

9. When a loan is paid off in equal monthly payments over a period of one year, the annual rate of interest paid is about twice the stated rate of interest. So the actual annual rates for the stated rates are as follows:

Stated rate	Actual rate
8%	16%
7½%	15%
9%	18%
6½%	13%

The rates might be even higher than twice the stated annual rates when other service charges are added to the interest charges.

Applying Your Business Knowledge Page 318

1. Factors to be considered by the Dorns in determing whether to buy the freezer now on credit or in the future for cash include: cost of the loan; losses in food values by delaying purchase; amount of monthly payments; special sale price, if any, on freezer if purchased now; other monthly payments being made, or other loans outstanding; possible changes in style or models, or anticipated improvements in freezers; cost of renting lockers for frozen foods, and inconvenience of renting such lockers.

2.

Date of Note	Time to Run	Date of Maturity
March 15	4 months	July 15
May 26	3 months	August 26
July 31	5 months	December 31
April 30	30 days	May 30
October 5	45 days	November 19

3. (a) If Bill borrows the needed money, he has the opportunity of starting his schooling immediately. If he is definitely certain about his interest in becoming a radio and TV repairman, then borrowing the money would seem to be wise and represents an expression of confidence in himself. If he does borrow the money, the loan may be a source of worry to him while he is in training. Then, too, when he finishes his training, he is beginning his career with a debt to be paid.

(b) If Bill should decide to get a job and earn the money before he begins his training, two things may happen: (1) He may use the money to make purchases, such as an automobile, that will take much of his income and he may not save as much as he had planned. (2) The habit of earning money may be difficult to give up, particularly if he has a fairly satisfactory job. Thus he may never get started on the career he had in mind.

(c) Students will probably differ in their points of view. Either point of view should be accepted, provided that it is supported by sound arguments.

4. Credit unions are organized as nonprofit organizations for the benefit of their members. Banks are organized to make a profit for their owners, and thus may charge higher rates.

5. (a) If Mr. Stauber is reasonably sure that he will have the $112 in cash to repay the loan plus interest at the end of a year, he certainly will want to use the first plan, since under the second plan he will be paying almost twice as high a rate of interest.

(b) If Mr. Stauber has difficulty in saving money, or if his other obligations are such that he could not save regularly, then he may want to use the second plan because the largest amount of money he needs to accumulate at one time is $9.50 monthly.

Enriching Your Business Understanding Page 320

1. (a) The lending of money should be accomplished on a strictly business basis, even though friends are involved. Friendships change; so do financial circumstances, business conditions, and attitudes of people. Then, too, oral promises are forgotten or details are confused. To be certain that money will be returned, a signed note should be obtained plus, if possible, some form of security.

   (b) A person is more inclined to lend money to friends than to strangers. In lending money to strangers or mere acquaintances a note plus security in the form of property or a cosigner is highly desirable. As explained in the preceding paragraph, some form of security is desirable even in lending money to friends. The amount of money involved and the particular circumstances may affect the degree of security desired.

2. Reports will vary since the students should research the loan plans of their own state governments and local banks. The teacher should remind students to research only loans--not scholarships. Sources of information include the library, college catalogs, and the state Office of Higher Education. The following represent the basic federal government loan programs.
   The National Defense Education Act of 1958 established a loan program of students intending to make a career of teaching. The loan program is aimed especially for future teachers specializing in the areas of science, foreign languages, and international affairs. Interested students must contact the financial aid officer on their college campus to determine eligibility for these loans. Basically the NDEA program lends up to $1,000 each year to undergraduates for a maximum of $5,000, and up to $2,500 each year to graduate students for a maximum of $10,000 for combined undergraduate and graduate study. Payment begins nine months after the student ceases at least half-time study. Interest charges of 3 percent begin at the start of the repayment period and the person has up to 10 years to repay. During time of service in the Armed Forces, Peace Corps, or VISTA, all repayment and interest charges are deferred.

   The Office of Education also sponsors a Guaranteed Loan Program which is open to anyone accepted to an eligible college, university, hospital school of nursing, or vocational, technical, or business school. The loan program, which is administered by the state governments, enables students to borrow money directly from a savings and loan association, credit union, bank, or other participating lender. The student may borrow a maximum of $1,000 or $1,500 each year, depending on his course of study and the regulations of the state in which he is attending school. If a family's adjusted income is under $15,000 a year, the federal government pays full interest while the student is in school and prior to the repayment period. Repayment begins 9 to 12 months after the student finishes his course of study or leaves school, and the maximum repayment period is 10 years. Deferment of repayment may be authorized during time of service in the Armed Forces, Peace Corps, or VISTA, or for any period that the student resumes full-time study.

3. (a) Consolidating debts means replacing several smaller debts with one larger one. A person does this simply by borrowing enough money to pay off the smaller loans.
   (b) With a single debt, the borrower is better able to keep track of what has been paid and what is still owed. He also has a better idea of how his debt affects his overall financial situation. In some cases, a person might realize a lower overall interest rate with one larger loan instead of several smaller ones.
   (c) Consolidating debts might reduce the amount of each payment if the interest for the consolidated debt amounts to less than the combined interest for the smaller debts. This can happen when the interest rate on the consolidated debt is lower than the interest rate on even one of the smaller loans. However, a smaller interest payment does not necessarily save the borrower money. If a single loan is extended over a longer period of time than several loans, it might cost more, even with a lower interest rate.

4. (a)

Credit union, 1% a month equals	12% a year
Small loan department of a bank (paid in installments)	18% a year
Consumer finance company 2½% a month equals	30% a year
Regular bank loan	6% a year

Consumer finance company is most expensive; regular bank loan is least expensive.

(b) Some people have established better credit ratings than others and thus are able to borrow money at lower rates of interest than those who have not established satisfactory credit ratings. For example, a person who has never borrowed money in the past, who is a newcomer to a community, or who has no bank account would probably not be able to borrow money from a bank on a regular loan.

(c) The answer varies according to the investment and the terms of the loan. Ordinarily, the annual interest from savings or investments is less than the annual interest charged for a loan, but investments sometimes pay dividends that are higher than the cost of the least expensive loans. However, it can still profit a person at times to take out a short-term or one-payment loan rather than disturb savings and thus lose accumulated interest.

PART 27

BUYING ON CREDIT

Learning Goals

1. Identify the difference between sales credit and loan credit.
2. Distinguish between installment credit and noninstallment credit.
3. Be able to explain the six types of sales credit plans.
4. Understand how the bank credit card plan works and list reasons why the plan is so popular.

Suggested Teaching Procedures

1. This part reflects the need of the teenager to understand the many types of credit options available. It is essential that the student understand the differences between installment and noninstallment credit.

2. Have students bring to class information about various types of credit found in newspaper advertisements or in brochures from retail stores, banks, travel bureaus, consumer finance firms, and credit unions.

3. Ask the students to determine the kinds of retailers who participate in bank credit card plans. Also ask students who have traveled with adults what experiences they have had with the acceptability of various types of credit cards. Transparency 27-1 illustrates the operation of a bank credit card plan.

4. *Applying Your Business Knowledge* activities 2 and 3 can help students evaluate credit plans from the business point of view. This activity can be made more relevant by having a committee of two or three students ask local merchants about the kinds of credit plans they offer and why these kinds are offered. Local business managers can be invited to discuss this with the class.

5. *Enriching Your Business Understanding* activity 3 dealing with unsolicited credit cards is especially appropriate for outside study by the students and the teacher. You may want to check with the Better Business Bureau, the city or county attorney's office, or a local legal society for current legal interpretations.

6. *Enriching Your Business Understanding* activity 4 is very important if the age of majority has been lowered in your state to 18 or 19. Ask a representative of your local county attorney's office to come to class and discuss what this means, especially for high school students who attain the age of majority before graduation.

7. Transparency Master 27-2 can be enhanced if some students bring, with parental permission, a sample of a credit statement from a retail store, airline, or oil company. Students should be told to ink out the name of their parent or the person from whom they obtain the statement. A bulletin board can be constructed showing samples.

8. An interesting question which will provoke much discussion is "Should there be two prices in a store--one for cash customers and another for credit customers?" This is an important consumer issue.

9. Invite a local credit manager to class to discuss his duties, responsibilities, and educational requirements. The presentation might be entitled, "A typical day in the life of a credit manager."

10. Raise the following question for discussion: How would you decide whether or not to use your credit to buy some particular thing?

11. Appoint a committee to obtain information about bankruptcy procedures. Contact the Federal District Court, Bankruptcy phone number is 469-6637.

12. Have a student find out and report under what conditions Lazarus (463-2880) or Sears (261-4160) extend credit to teenagers. Report should include:
    a. How much and for what purpose?
    b. Limitations

13. "Go now, pay later". Plan a one week trip for a family of four, charging all expenses on credit cards.
    a. Chart the trip to a city on maps, including means of travel (bus, car, air).
    b. Decide where meals will be eaten (restaurant, motel, or box lunches).
    c. Select necessary vacation equipment from catalogs.
    d. Estimate cost of entertainment.
    e. Discuss the various ways of financing the trip.

14. Have a student prepare a report on bank credit cards. (Master Charge or BankAmericard).

15. Examine differences between reputable and disreputable creditors and draw up a list of things to look for when shopping for credit.

16. Discussion topic: The best way to shop is to use your credit card and say, "charge it."

Other sources of information:

1. Educational Services Division
National Consumers Finance Association
1000 - 16th St., NW
Washington, D. C. 20036

"Consumer Credit and You" - Free
Teacher's Kit - one with unit - Free
"Your Future: Careers in Consumer Credit" - Free

2. International Consumer Credit Association
375 Jackson Avenue
St. Louis, Mo. 63150

"How to Use Consumer Credit Wisely" - Free

PART 27

BUYING ON CREDIT

Improving Your Business Vocabulary Page 328

1. loan credit
2. sales credit
3. installment credit
4. noninstallment credit
5. finance charge
6. open charge account
7. credit card
8. budget account
9. 90-day or 3-pay plan
10. revolving charge account

Understanding What You Read Page 328

1. Consumer credit can be classified as loan credit versus sales credit or as installment credit versus noninstallment credit.

2. Installment credit is a plan by which you pay back a debt in a series of regular payments, while noninstallment credit is a plan by which you agree to pay for a purchase with one payment. Installment credit usually involves the payment of a finance charge.

3. Six common types of sales credit plans are: (1) open charge accounts, (2) budget accounts, (3) revolving charge accounts, (4) bank credit card plans, (5) teenage accounts, and (6) travel and entertainment card plans.

4. With an open account, the seller lets the buyer buy freely during the open period but expects payment in full at the end of the period. Budget plans are the same except that payments are spread over several months.

5. Merchants like budget plans because they encourage large purchases which customers might postpone if they had to pay interest on installment purchases. Customers like budget plans because they spread the cost of large purchases over a few months but usually without a finance charge.

6. A revolving charge account, rather than an open account, is likely to have a limit on the total amount owed to the merchant at one time. With open accounts, the total balance is paid in full at the end of each month. With the re-

volving account only a partial payment is required at the end of each month. The open account has no extra charges, but an interest charge is added at the end of each month to unpaid balances in revolving accounts.

7. The revolving account can tempt the customer to overbuy and can become expensive when the customer continually charges low-priced, frequently purchased items. Also, many customers never pay the amount in full and thus are always paying interest on the balance.

8. A customer uses a bank credit card to make a purchase, and the salesperson prepares a credit sales ticket. Periodically, the merchant collects all sales tickets issued and forwards them to the bank. The bank then charges each customer's account with his purchases and bills the customer once a month. Next, the bank totals all the drafts from each merchant and pays him the amount of his sales minus the amount of a fee (usually about 4%).

9. Since a parent must stand behind the debt of a son or daughter who has a teenage account, the merchant will ask for payment from your parents if you do not pay your bill.

10. Travel and entertainment cards are a convenience to travelers because travelers can carry only a little cash and can use the same card at many establishments in different parts of the country.

Applying Your Business Knowledge Page 329

1. Answers will vary. The responses of students should be subject to the questions and comments of other students. All should be prepared to defend their points of view.

2. Some sellers feel safer taking credit cards than personal checks. If a personal check is returned for insufficient funds, the seller must attempt to collect the money. With a bank or T & E credit card, this burden falls on the company issuing the credit card.

3. (a) The restaurant would not have to worry about establishing its own credit system. Travelers as well as local customers would be able to eat there without worrying about cash. Some business people might be more likely to entertain customers at restaurants where they could use credit cards.

(b) The bank would pay the restaurant, bill customers, and collect from customers. The bank would probably also provide signs for advertising the credit plan.

4. (a) Teenagers would have the ability to use credit rather than wait for cash to buy what they want. They would also learn about the money planning involved in using credit and would begin to establish a credit record.

(b) Parents might see a charge account as an opportunity for their teenagers to learn money management.

(c) Parents might be concerned that teenagers would overspend; that teenage accounts might not have low enough spending limits; or that they may have to pay off overdue teenage accounts.

(d) Merchants might oppose teenage accounts because of the increase in their bookkeeping. They might also fear that there would be a high rate of inability to pay with teenage accounts. These problems might outweigh the increase in teenage business that establishing a teenage charge account plan might bring.

Enriching Your Business Understanding Page 330

1. Answers will vary.
2. (a) The name "layaway" describes the meaning of the plan. A customer does not have the cash to buy a particular item, so the store agrees to keep the item in storage for a small down payment until the customer can pay in full. Customers can use layaway plans at stores where they do not have charge accounts.

    (b) Answers will vary among areas, but many stores still have layaway plans available.

3. The unsolicited distribution of credit cards to people who have not applied for them is against the law. If you should receive such a card and do not want to use it, you should report the matter to the Better Business Bureau and to your local or state consumer protection agency.

4. In a state where the age of majority has been lowered to 18 or 19 years, a person who has reached this age is eligible for credit as an adult. Some may argue that a person of 18 is not capable of handling credit decisions.

PART 28

INSTALLMENT BUYING

Learning Goals

1. Know the essential difference between installment sales credit and short-term credit.

2. Determine the items that are commonly bought on the installment plan and identify the reasons for such purchases.

3. Identify the terms of installment contracts and explain the conditions of possession and payment.

4. Know the conditions under which a person should buy on the installment plan.

5. Understand that the costs of buying include interest and service charges.

Suggested Teaching Procedures

1. The word "installment" often causes students confusion since it is commonly used in installment sales credit (conditional sales contracts) as well as in other credit activities. These differences should be brought out in the discussion of textual material with references to the preceding Part 27.

2. Emphasize the development of a proper attitude toward the use of installment buying. Installment buying may be wise or unwise, depending upon the personal situation in which it is applied. Students should understand that it is necessary for them to consider installment purchases in relation to the budget. The use of installment buying is illustrated in Transparency Master 28-2.

3. Use Transparency 28-1 to illustrate your discussion of the cost of installment buying.

4. If the teacher wishes the students to know more about the law regarding conditional sales contracts, *Enriching Your Business Understanding* activity 2 provides that opportunity.

5. Students should be asked to bring to class newspaper advertisements that offer goods for sale on the installment plan. The class can then discuss the following points:

(a) What types of goods are offered for sale?
(b) What do advertisements say about down payments?
(c) Do the advertisements give the exact terms offered?
(d) What mention is made of a service charge?
(e) Do the advertisements state a cash price?

6. The practice of buying on installments is very common. Students should therefore have some understanding of this form of credit buying. Although there are many implications that might be considered in treating the subject, the authors have confined their discussions to the simpler aspects. Some emphasis should be placed on knowing the cost of buying on installments in order that students may recognize the difference in the cost of installment buying and the cost of paying cash.

7. Ask a member of the class to report on mail-order installment plans offered by one particular store.

8. Appoint two committees to investigate and report on cash and installment prices on a particular item. Example: 21" color portable television. The report should contain the following information.
    (a) cash price
    (b) 2 year installment price
    (c) down payment
    (d) annual interest rate

9. Have a group of students visit local department stores and list the various types of installment credit available.

10. Plan a field trip to Fort Hayes Career Center. Focus your attention on the following programs:

word processing
data processing
data entry
supermarket management
mass merchandising
department store

Phone number is 225-2697.

Other Sources of Information:

1. Association Sterling Film Company
   600 Grand Avenue
   Ridgefield, New Jersey 07657
   "Personal Financial Planning - with The Wise Use of Credit" - Free

2. Consumer Education, Programmed Learning Instructions, Unit III Consumer Credit, Delta Pi Epsilon, Inc., Gustavus Adolphis College, St. Peter, MN 56082.

3. The Ohio Consumer Loan Association,
   79 East State Street, Columbus, OH 43215
   Phone 221-7527
   "The Miracles of Credit".

4. Sears, Roebuck, and Company
   "Using Retail Credit". Contact your nearest store.

5. Consumer Education
   Regional Center IV
   Phone number is 228-8046.
   "The Price of Credit." - Film strip and record.

PART 28

INSTALLMENT BUYING

Improving Your Business Vocabulary — Page 335

1. repossess
2. down payment
3. on-time sale plan
4. add-on plan
5. rebate

Understanding What You Read — Page 335

1. Items most frequently bought on the installment plan are those that are expensive and quite durable such as cars, furniture, TV sets, and appliances. Reasons for buying such articles on installment are:
(a) They are usually too expensive for most people to buy with cash.
(b) They may be used while they are being paid for.
(c) They outlast the time of installment payment.

2. The difference is that with an *installment purchase* the seller provides the credit. With an *installment loan*, the buyer gets a cash loan from a third source and then goes to the seller for a purchase.

3. A sales contract is a written agreement which shows the terms of a purchase, such as the payment periods and finance charges.

4. A one-time sale plan is an installment plan in which the cost of each item purchased is paid in monthly payments. In an add-on plan, subsequent purchases can be added to the amount owed and paid in one large monthly payment.

5. Selling on credit is similar to making a loan. The seller has money tied up for some time and is entitled to charge interest on that money.

6. The questions that should be asked before signing a sales contract appear on pages 334 and 335 of the text.

7. You would expect to receive a rebate if you paid of a contract before its ending date.

Applying Your Business Knowledge Page 336

1.

Items	Non-installment Purchase	Installment Plan	Reason
(a) vacation trip	X		Nondurable. Little satisfaction in paying long after trip was completed.
(b) electric train	X		Not too durable. A toy or luxury item.
(c) car		X	Durable item. Expensive. Use while paying for.
(d) rug	X	X	Depends on circumstances. Expensive rugs might be purchased on installment plan by young couple furnishing house. Small inexpensive rugs should not be so purchased.
(e) refrigerator		X	Durable. Expensive. Use while paying. A necessity.
(f) suit of clothes	X		Generally not, except in case of great urgency. Clothes semi-durable. Better to budget needed money until sufficient amount is on hand.
(g) pet dog	X		A pet dog is a luxury item.
(h) TV set		X	Durable. Expensive. Pay for while being used.

2. Buying on the installment plan can improve a buyer's credit rating if all payments are met when they come due. Paying habits become a matter of permanent record. This record can be used to establish a credit standing in another city. Of course, the opposite is true if the buyer fails to make payments as agreed.

3. It is always unwise to sign any document that is not complete. In the case of the sales contract, you should be aware of exactly what payments will be expected of you and when they will be due before agreeing to the contract. Unless the contract is complete before you sign it, you have no assurance that you and the seller have agreed upon the terms of the sale.

4. If an item is repossessed, the purchaser loses not only the item but also the payments that have already been made. The seller who repossesses has the item back, but it may not be in new condition and the seller may not be able to find a buyer who is willing to pay the amount left unpaid.

5. For a retailer to sell to you in the installment plan has the same effect as it would have for you to borrow a sum of money to make a purchase. The retailer is without the merchandise and without the money.

Enriching Your Business Understanding Page 338

1. (a) The installment plan is helpful to an individual in that purchases, taxes, insurance, etc., may be paid for out of weekly or monthly earnings. Thus the amount of each payment is small and less burdensome than if one needs to accumulate large amounts to be paid once or twice a year. The easy payment plan can be harmful to an individual in two important ways: (1) there is a temptation to overbuy, and (2) the "easy payment" plan is usually costly in terms of annual interest rate and service charges and relatively few people are fully aware of how great this cost really is.

(b) The easy payment plan can be helpful to business in that it increases sales and thus increases profits. It can be harmful to business if it overextends credit, or if business is careless in extending credit to individuals who are poor credit risks. Under these conditions business can actually lose money.

2. (a) If the buyer misses only one payment, the seller has the right to ask that all payments be made immediately. If a payment is missed, the buyer has violated the contract and the seller can demand complete payment or take steps to get the property back.

(b) The buyer may not sell or give away the property purchased on the installment plan as long as any part of the debt is unpaid.

(c) Since the seller holds the title to the property, it is legally the seller's. Thus if the property is in danger of being destroyed, misused, or disposed of illegally, the seller has the right to reclaim the property at once.

(d) All conditions of the sale are placed in writing in the contract. Oral statements, promises, or agreements are not binding upon either the seller or the buyer.

3. Items to be considered before signing an installment contract will include:

(a) Is this the best kind of credit plan that can be obtained?
(b) Has a substantial down payment been made?
(c) Is the item something which is really needed?
(d) How much greater is the installment price than the cash price?
(e) What interest rate is being charged?
(f) Have any service charges been added?
(g) What annual rate is being paid for interest and service charges?
(h) Are monthly or weekly payments such that they can be met without too great an inconvenience?
(i) What are my responsibilities for the property being purchased? Must I carry insurance, etc.?
(j) What happens if I become ill and can't meet the payments?
(k) When will I actually own the property?

PART 29

KEEPING A GOOD CREDIT RECORD

Learning Goals

1. Know the guidelines for using credit wisely and maintaining a good credit record.
2. Understand the work of the retail credit bureau.
3. Understand what is meant by the terms "statement of account" and "credit memorandum."
4. Understand why receipts, canceled checks, receipted bills, and all other credit and loan records should be kept until they are no longer needed.

Suggested Teaching Procedures

1. This part reinforces the point made earlier that a person must earn the right to credit. Discuss how one's record of payment is of primary importance in keeping a good credit record. The student is also shown that good business procedures in discharging credit obligations help create a good credit record.

2. Recent emphasis upon greater consumer protection has led to more legislation. Laws have been passed recently regarding the disclosure of credit records to the subject of the records. Check to see if such laws are now operative in your state and bring this to the attention of the class. Contact the Attorney General's Office, Public Action Line, 282-0515 or 466-8831. Transparency Master 29-1 illustrates the role of the credit bureau in obtaining and supplying information.

3. Collection agencies are a necessary part of the credit business. A representative of a local agency can be invited to class to discuss the assistance that is given to individuals who are behind in meeting their credit obligations. *Enriching Your Business Understanding* activity 1 also identifies the nature of some of the problems in crediting customer's payments and of images cast by some collection agencies. Phone number is 461-5400.

4. In the study of this part place emphasis upon: (a) A complete and systematic checking of goods received and a comparison of the prices charged for credit purchases with the prices quoted. A study of the forms included in this part calls attention to the need for carefully checking each business form in order to compare the goods or services actually received with the charge made. Refer to Illustration 29-4.

(b) The need for care in making payments for purchases. Stress the importance of recording on checks and receipt forms the reason for payment. This precaution may avoid the necessity of paying a bill twice.
(d) The need for proof of payment. Each of the methods discussed in this part should be given attention so that students will have an understanding of the various methods by which payments can be proved.

5. Have an exhibit showing the various business forms discussed in this part.

6. Transparency 29-2 indicates how a person who has established credit at several stores can be checked at the local credit bureau when applying for credit at a new store. Students should recognize that information about him or her is fed into this source.

7. Debate the following:
Debtors Prisons Should Replace Bankruptcy Laws

8. Visit the local small claims courts and observe the proceedings. Small Claims Division phone number is 461-7381

9. Talk to someone in the Garnishment's Division of Franklin County Municipal Court about current procedures and practices. Phone number is 461-3622. Report to class.

10. Clip notices and articles from the Columbus Dispatch, or Citizen Journal of personal bankcruptcies, sheriff's sales and auctions. Discuss probable causes for such financial trouble and relate them to the use of credit.

11. Discussion topic: A person has a right to see the results of an investigation of his background made by a credit bureau.

12. Discussion topic: If you borrow money for a car, go to your family before you go to the bank. A loan from your family does not have to be repaid.

PART 29

KEEPING A GOOD CREDIT RECORD

Improving Your Business Vocabulary — Page 347

1. retail credit bureau
2. statement of account or statement
3. credit memorandum
4. receipt

Understanding What You Read — Page 347

1. Your credit record is your personal history of paying or not paying on time.

2. Your credit record shows that you bought on credit, when and where you made purchases, and how promptly you paid bills.

3. A seller will want to check your credit record before granting you credit because if you have a record of prompt payments the seller can feel confident that you will repay this debt promptly too.

4. You are the only person who knows your complete financial position, so only you can decide whether to pay cash or charge each purchase.

5. Seven guidelines for using credit are listed on pages 340 and 341 of the text.

6. Sellers contact a number of sources to learn whether an applicant is a good credit risk. Among them are the references listed by the applicant, the place where the applicant is employed, and the local retail credit bureau.

7. More than one copy is made of sales tickets so that both the customer and the store may have an exact record of the sales transaction. The sales ticket is helpful to the customer to keep track of expenses and to compare against the bill received. It is helpful to the merchant for billing purposes and is sent to the store's credit department or to a central collection agency if the customer uses a central charge plan.

8. The statement of account shows (1) the balance due when the last statement was mailed, (2) the amounts charged to the customer for merchandise bought during the month, (3) the amounts credited to the customer during the month

for payments made or merchandise received, and (4) the current balance.

9. You should place a credit memorandum with your sales ticket if you have not yet paid for the purchase. If you have paid, you should keep the credit memorandum where future sales tickets will be filed. This is done so that the amount of the credit memorandum can be subtracted from a future payment. You might also present the credit memorandum to the seller for a cash refund.

10. You can prove the accuracy of statements by comparing them with your copies of sales tickets and with your record of payments and credit memorandums.

11. If you discover an error on your statement, you should bring it to the seller's attention at once.

12. When you make a payment in cash, the seller should write or stamp on the statement "Paid" or some other acknowledgement that payment has been received. You should then keep the statement as proof that the payment was made.

13. You can prove that a payment had been made by showing a canceled check, a receipt, or a statement marked "Paid."

14. The Truth in Lending Act requires a business to tell you (1) the annual rate of interest and the annual amount of dollars of interest for the purchase, and, (2) the total number of dollars which must be paid as a finance charge.

Applying Your Business Knowledge Page 348

1. (a) Mr. Ballinger is confronted with a difficult problem. If he extends credit, he may gain a good customer, or he may be merely giving merchandise away to a transient who makes a practice of this sort of thing. In any event, before credit is extended, he should investigate Mr. Stark's story. If Mr. Stark is honest, he will not object to the investigation.
   (b) Mr. Ballinger should observe the following precautions before extending credit to Mr. Stark: get his full name and address; get the name of his employer and check with the employer to be sure that the information is correct; ask for names of previous merchants from whom he has bought on credit; ask for a bank reference; a long distance call may be advisable.

2. (a) The credit manager has a right to know the names of other stores where Mr. Saxon has charge accounts, whether he owns real estate, where he works, and in which bank he maintains an account. The credit manager should have sufficient information to judge whether or not the customer is a *good credit risk*.

(b) Mr. Saxon has no right to object. He should realize that the store is not obligated to extend credit to him, and that he is asking for the privilege of actually using the store's money for the period of time that the merchandise is unpaid.

3. Possibly the items that Mary returned were too late to be included in her statement,in which case the store would not be at fault. It is also possible that the credits were given to another customer, which would be the store's error. The purchases charged to her account could be an error in billing. But she might have lost a credit card or had her signature forged. Mary should go to the store to discuss the discrepancies, taking along her own copies of the credit memorandums for the goods that were returned.

4. Neither Mrs. Leyman nor Mrs. Dunbar is following an acceptable business practice. Sales tickets should be kept until the account has been paid. If the sales tickets are destroyed before the account has been paid, the customer has no way of comparing items actually purchased with those charged for on the statement of account at the end of the month.

5. Transactions	Receipt Needed?	Reason
(a) Bought 10 gallons of gasoline.	No	Paid for when delivered in tank. If credit card is used, then copy of sales ticket should be retained.
(b) Bought a bus ticket.	Yes, usually keep ticket stub, if one is provided.	The stub is a guarantee of transportation.
(c) Bought a newspaper.	No	Amount small. Transaction completed at once.
(d) Paid for shoe repairs.	No	Payment made when shoes are delivered.
(e) Paid to have the car repaired	Yes	As evidence of payment. Receipts usually stamped on customer's copy.
(f) Paid club dues.	Yes	As evidence of payment. Month or year for which payment is made should be indicated.
(g) Bought Sandwich at a drive-in.	No	Amount small and transaction completed when paid for.
(h) Bought ticket to a football game.	Yes (ticket stub)	As evidence of payment, possibly as a claim to a reserved seat.
(i) Paid the telephone bill.	Yes	As evidence of payment, usually stamped on bill.

Enriching Your Business Understanding   Page 350

1. Answers will vary. For sources of information, students may look in the Yellow Pages of the telephone directory under the headings of Collection Agencies or Credit Counselors. They may also be able to get the names of collection agencies from local banks, credit unions, and other lenders. Students should understand that collection agencies are not villains and that they are as anxious to find out why an account is delinquent as they are to collect it.

2. Maximum interest rates vary among states, and in general there are some exceptions to the maximum. For example, in many states small lenders who specialize in making loans to those with poor credit ratings are permitted a greater interest rate in return for taking a greater risk. Greater limits are generally allowed for credit sales such as revolving charge accounts by which payments are made monthly.

3. Attachment and garnishment of wages is a procedure by which a credit may require a debtor's employer to pay the amount for a debtor. The amount of the debt is then deducted from the employee's wages. The Truth in Lending Act limits the amount garnished to (a) 25 percent of the employee's weekly take-home pay or (b) the amount by which the weekly take-home pay exceeds 30 times the federal minimum wage, whichever is less.

4. Answers will vary according to local procedures.

INSURING AGAINST ECONOMIC RISKS

Unit 8

Often we are reminded that food, clothing, and shelter are the three basic necessities of life. It is reasonable to propose that a fourth necessity is insurance, for it is through insurance that we can obtain protection to enable us to continue to provide the three basic necessities. Insurance is the most effective means we have of offsetting financial losses that may result from risks. Students should be reminded frequently that all of us--young and old--cannot escape facing economic risks of many kinds throughout the rest of our lives. Therefore, it is important for each of us to understand insurance and to know how to make the best selection and use of the many insurance plans that are available.

Through Part 30 this unit is introduced by a discussion of the theory, cost, and economic importance of insurance. Part 31 describes the different kinds of protection that should be carried by owners and drivers of automobiles--with additional attention given to those who use motorcycles and other vehicles. Part 32 is devoted to the protection of homes and other property against loss by fire and other hazards. Part 33 concentrates on the important aspects of life insurance. Health insurance and insurance for income security are treated in Parts 34 and 35 respectively.

For this revision of General Business the authors made a special effort to present the essential elements of insurance in a clear, interesting style. Insofar as possible, technical information has been excluded. For each of the parts in this unit, the teacher should spend some time with the Improving Your Business Vocabulary section, making sure that students understand the basic insurance terms to which they are introduced. Also, selected questions from Understanding What You Read should be discussed in class so that any points students missed in the reading of the part can be made clear.

The objectives are to:

1. Realize that no matter how careful people are, they cannot completely avoid or prevent economic risks.

2. Know that a sound, personal financial-management program should include protection against economic risks.

3. List the various kinds of insurance that are available and describe the protection for which each is designed.

4. Appreciate the need for protection against injury or damage caused to the person or property of others,

particularly when judgments resulting from such injury or damage are so high.

5. Appreciate life insurance as a means of accumulating savings in addition to its main purpose of providing protection.

6. Appreciate the need for different types of health insurance, particularly in view of the high cost of medical and hospital care.

7. Assess the benefits from Social Security and relate these to the individual's total insurance needs.

8. Know and be able to use commonly accepted insurance terms.

9. Be acquainted with representative career opportunities in the field of insurance.

Part 30

HOW INSURANCE HANDLES RISKS

Learning Goals

1. Realize that an economic risk is the chance of loss of earning power or of property.
2. Identify the types of economic risks a person faces.
3. Explain how insurance serves as a method of sharing economic risks.
4. Identify factors that are considered in determining the cost of insurance.
5. Indicate where insurance may be purchased and suggest why a person might choose one insurance agent over another.
6. Be able to illustrate the social and economic importance of insurance.

Suggested Teaching Procedures

1. Intelligent money management requires the protection of property and income through insurance. The purpose of this part is to describe the nature of an economic risk and of insurance as a plan for sharing the losses resulting from such risks. In this connection, use Transparency Master 30-1 to illustrate the types of risks to which people are subjected. Follow this with Transparency Master 30-2 which can serve as a brief pretest or as a basis for discussion.

2. Have students bring to class at least one newspaper or magazine clipping describing a case in which someone suffered an economic loss. Conduct a discussion on the cases reported to develop the need for insurance protection in the type of loss incurred. Refer to activity 3 of *Enriching Your Business Understanding*.

3. Bring out the fact that insurance does not prevent losses; it simply distributes the burden of losses. Students should understand that in a given group of 1,000 people the chance that a single person will suffer a great loss is greater than the chance that all of the 1,000 people will suffer a great loss at the same time. It is therefore advantageous for many people to share potential losses through an insurance plan.

4. Assign two or three students to give oral reports on the history of insurance. The early development of insurance provides several dramatic and interesting stories.

5. Discuss in class selected questions or problems from the end-of-part sections, particularly those dealing with the cost of insurance and the means of reducing that cost. Applying Your Business Knowledge activity 3, Solving Business Problems problem 1, and Enriching Your Business Understanding activity 2 are examples of these. Emphasize cost to the individual and to society.

6. If you have not already done so, write to the organizations named below to request circulars and order forms describing available teaching materials, such as booklets, charts, filmstrips, and motion pictures. Most of the teaching aids are sent without charge; some of the printed items are obtainable in quantities for classroom use.

   (a) Director, Education Division, Institute of Life Insurance, 277 Park Avenue, New York, NY 10017. With your initial letter, ask for a copy of the latest editions of the Handbook of Life Insurance and How It Works, and Careers in Insurance.

   (b) Director, Education Division, Insurance Information Institute, 110 William Street, New York, NY 10038. With your initial letter, ask for a copy of A Family Guide to Property and Liability Insurance and the latest issue of Insurance Facts.

   (c) Director, Health Insurance Institute, 277 Park Avenue, New York, NY 10017. Ask for a copy of Source Book of Health Insurance Data.

   (d) Consumers Union of United States, 256 Washington Street, Mount Vernon, NY 10550. Ask for a copy of A Guide to Life Insurance; there is a small charge for this publication.

Improving Your Business Vocabulary, page 360

1. economic risk
2. insurance
3. insurance company
4. insured or policyholder
5. policy
6. premium

7. claim
8. insurance commission
9. insurance agent

Understanding What You Read, page 360

1. Among the types of economic risks that people face are destruction of one's home by fire or tornado, theft, or damage to one's car, causing injury to another person or his property, and loss of source of income.

2. Business firms have to protect themselves against such risks as loss or damage caused by fire, tornado, theft, vandalism, and similar risks. Businesses not only have to protect their buildings against such risks, but also their merchandise and other property.

3. Insurance provides protection against financial losses by providing a means of sharing losses with others. Through insurance, many people contribute a small amount so that a person who sustains a financial loss can be reimbursed for the amount of that loss.

4. You should read your insurance policy and know the insurance protection you have so that you will know specifically what losses are covered in order to make proper claim for them.

5. Premiums collected by insurance companies are used to pay the claims of policyholders, to pay the company's operating expenses, and to make a profit.

6. The state insurance commission exists to assure that insurance rates and practices are fair.

7. Generally, fewer insurance claims result in decreases in premiums which have to be paid for insurance. Thus, if advances in medical science cut down illnesses due to disease and help to maintain good health, health and life insurance premiums will likely be reduced. Increased fire protection may result in fewer fire losses; and reduced speed limits and more careful driving will reduce accidents. No-fault insurance will cut down long and costly court cases. These reduced financial losses should result in lower premium payments and money saved, as well as less personal pain and hardship that such tragedies cause.

8. An insurance agent can help you choose the types of insurance policy that best meets your needs and can explain the various policies to you.

9. Insurance is important to everyone because it provides

personal security. It enables people to avoid or reduce the financial hardship caused by large losses resulting from illness, fire, accident, death, and other risks. Insurance also helps our economy in that insurance companies make loans to build homes, office buildings, factories, and schools. Also insurance makes it possible for many people and businesses to do things they might not be able to do without insurance. Through insurance, the head of a family--the breadwinner--can provide for the family in the event that misfortune or death befalls him or her.

10. Agree. Few people could or would invest in an expensive home if they could not protect their investment through insuring the home. Without insurance on a home, a lifetime of savings could be wiped out in a few minutes by fire, tornado, flood, or other catastrophe.

Applying Your Business Knowledge, page 361

1. Bill has the stronger point. It is more important to have protection against risk of large losses--losses that if realized could mean financial disaster for an individual or a family. However, what is meant by "small" losses? A loss of $400 is small when compared to a possible loss of $5,000 by a threatened lawsuit, for example. Yet, few people can afford a loss of $400 out of their already tight budgets. One should insure against risk of losses that would impose hardship on the individual or family.

2. No. In the first place, the risk of loss is not distributed over a large enough area. A fire which starts in one home could sweep through several houses in the subdivision causing losses far in excess of the $50,000 put up by the homeowners. Fire insurance companies can insure homes throughout a much greater geographical area to reduce the chance that many of the properties they insure will suffer loss in any given period of time.

3. If losses are reduced, insurance costs should be reduced. For example, if a community enforces its traffic laws strictly and if the citizens of the community cooperate in driving carefully, losses from automobile accidents may be decreased and the premiums for automobile insurance may also be decreased. Similarly, good fire protection in the community may decrease fire losses and also fire insurance premiums.

4. Any house may be damaged by fire or windstorm, but the losses do not occur so frequently that insurance rates are very high. Most families therefore insure their

houses against losses resulting from fire or windstorm. Flood insurance is not necessary in most places. Those who live in areas where there is little possibility of floods have no need for this kind of protection. Those who live in areas that are susceptible to floods would, because of the extensive damage that could result, find premiums too costly to consider. (However, in a cooperative sharing arrangement with the federal government, flood insurance is made available in communities that are frequently subject to floods.

Enriching Your Business Understanding, page 362

1. By "estate" is meant the assets and liabilities left by a person at death. Mr. Elkins means that through the payment of a single life insurance premium, a person begins a plan under which his beneficiaries will receive, at his death, a sizable amount of money. For example, by buying a five-year term policy for an annual premium of $160, a young man can "create an estate" because at his death the insurance company would pay his beneficiaries $40,000; or he could buy a whole life policy for an annual premium of about $520 that would pay $40,000 at his death. If premium payments were to be made quarterly, the amount of premium payment that would put into force the insurance coverage, thereby creating an estate, would be even less--approximately one-fourth of the annual premium. There is no other way by which a person can create immediately so large an estate for so small a payment.

2. Since the percent of drivers under 30 years of age involved in accidents is considerably more than the percent of drivers in this age group, it can be concluded that young drivers tend to be in more accidents than older drivers. The effect of this is that insurance rates are higher for younger drivers than for older drivers. This is so because the setting of insurance rates is based on the number and amount of insurance claims. Since the under 30 group are involved in or cause proportionately more accidents, the insurance rates for that age group will be higher than for other age groups.

3. Answers will vary. Generally, though, the news items will report auto or other accidents, fires, hurricanes or floods, theft, and other crimes causing injury, death, or financial loss. The financial loss caused by these types of risks could be covered by insurance.

4. Answers will vary. In the main, the activities of a

state's insurance commission generally include such responsibilities as the following: hearing complaints from policyholders or insurers, and seek-fair settlement of such complaints; regulating insurance premium rates to assure that the rates are reasonable; licensing of agents; investigating the financial stability of insurance companies; and reviewing current and proposed legislation and offering opinions on such legislation.

Part 3i

INSURANCE FOR VEHICLES

Learning Goals

1. Support the belief that everyone who drives has a responsibility to carry insurance to protect others as well as himself, and recognize the possible consequences if one does not carry such insurance.

2. Describe the kinds of automobile insurance that cover bodily injury.

3. Describe the kinds of automobile insurance that cover property damage.

4. Explain specifically why automobile insurance costs vary for different cars and in different localities.

5. Realize that automobile insurance policies should be analyzed carefully to determine the limitations of protection--to know what is included and what is excluded in coverages.

6. Recommend action that should be taken at the time of an accident.

7. Describe what insurance is available for vehicles other than automobiles.

8. Be able to explain the basic concept of no-fault insurance.

Suggested Teaching Procedures

1. The purpose of this part is to describe the more important kinds of automobile insurance and to explain the risks against which such insurance provides protection. Emphasize the great number of accidents and other mishaps causing financial loss in the United States. The risks covered by fire and theft, collison, and property damage insurance are limited, but the risks covered by bodily injury insurance are practically unlimited. Every driver should carry bodily injury insurance in order to avoid the possibility of a tremendous financial loss arising from an automobile accident and to assure fair compensation to injured people.

2. This part provides an excellent opportunity for checking the reading habits of the students. Understanding What

You Read on page 371-372 in the textbook and Test Your Understanding of Automobile Insurance on page 34 in the workbook may be used as a written exercise for this purpose.

3. Be certain that students understand what types of insurance are needed to cover what losses. Applying Your Business Knowledge activities 3 and 4 emphasize this point.

4. Clear the bulletin board and divide the space into four main sections to be used for (a) auto insurance, (b) insurance for the home, (c) life insurance, and (d) health insurance plus insurance for income security. Extra credit may be given to students who prepare posters for these sections. Be sure to give them helpful ideas on preparing posters so that each poster has unity and purpose; i.e., a simple poster outlining the different types of car insurance. Some students may enjoy making cartoon-type posters which depict insurance. These posters should remain on the board until the insurance unit is completed.

   Students may also be asked to arrange displays of automobile insurance policies, insurance advertising literature, and pictures and clippings pertaining to automobile accidents.

5. Actual insurance policies may be exhibited to the class in order to make the study more practical and lifelike. Discuss some of the more common provisions of these policies.

6. Use Transparency Masters 31-1 and 31-2 as means of highlighting why automobile insurance costs so much.

7. Emphasize the types of premium discounts that are given, such as those to good students and to those who have successfully passed a driver education course. Solving Business Problems problem 3 can be discussed in this connection.

8. Organize a group of students to debate the subject: Every owner of an automobile should be required by law to carry bodily injury and property damage insurance.

9. Invite a highway patrol officer to talk to the class about the main causes of automobile accidents and how such accidents can be prevented or reduced. Also ask the officer to discuss the responsibility of a driver at the scene of an accident. Enriching Your Business Understanding activity 5 might be used in connection with the visit by the officer. In addition, the officer might

be asked to explain important driving laws and the provisions of the financial responsibility law for your state. If it is difficult to arrange to have a highway patrol officer come to your class, perhaps two or three small committees could interview different highway traffic officials and then report their findings to the class.

For information, call State Highway Patrol, District 6 Headquarters, 466-2660.

10. Invite a local insurance agent or driver education instructor to speak to your class. His discussion could include a description of his job, types of automobile insurance coverages, etc.

    You might also find out reasons why:

    (a) male drivers under the age of 25 who have completed an approved driver education course often receive more favorable insurance rates than those who have not had such a course.

    (b) Female drivers under age 25 are not charged the same high insurance rates as male drivers of the same age group.

    Offer opinions concerning this, from your friends, parents, your own. Is this fair? Why do they do this?

    For speaker call:

    - Horace Mann Educators, 876-9725
    - Nationwide Insurance Co., 227-6269
    - Lauterbach & Eilber Insurance, 263-8895
    - Ohio Insurance Institute, 228-1593

11. Obtain a copy(ies) of the traffic regulations in your state from State Highway Patrol Headquarters or where drivers' tests are given. Ask students to make a list of regulations most frequently violated. Discuss if these regulations should be changed or left as they are.

12. Prepare a sheet of case studies on automobile accidents in which there has been injury, damage to property, etc. Ask students to list the types of coverages needed to protect the policyholder against financial losses in each case.

13. Research career opportunities in the insurance field. Sources of information:

(a) Interviews with family insurance agent

(b) Encyclopedia of Careers

(c) School library

(d) Occupational briefs from the Ohio Bureau of Employment Services

(e) Business Careers Kit

(f) Career World Magazine (if available)

14. Appoint a committee to obtain insurance rates from two or three different insurance companies for the same make and model car. Make a comparison of the rates in class.

15. Have a committee investigate some of the recent safety features automobile manufacturers are required to put on cars and report their findings to the class.

For information, write or call:

National Highway Traffic Safety Administration
(NHTSA)
Dept. of Transportation
400 Seventh St., S.W.
Washington, DC 20590
(200-426-9550)

16. Arrange for a debate or panel discussion using one of the following topics:

(a) Every automobile owner should be required by law to carry bodily injury and property damage insurance.

(b) There is (is not) justification for charging higher premiums for drivers in the 18-25 age group.

(c) All states should require no-fault automobile insurance.

17. Write to:

Ford Motor Company Listens
Box 1975
The American Road
Dearborn, Michigan 48121

for information on where they stand on safety, emissions, quality control, etc.

Improving Your Business Vocabulary, page 371

1. financial responsibility laws
2. bodily injury liability insurance
3. medical payments insurance
4. uninsured motorists protection
5. property damage liability insurance
6. comprehensive physical damage insurance
7. collision insurance
8. deductible clause
9. no-fault insurance

Understanding What You Read, page 371

1. The six basic automobile insurance coverages are (1) bodily injury liability, (2) medical payments, (3) protection against uninsured motorists, (4) property damage liability, (5) comprehensive physical damage, and (6) collision. The first three are classified as bodily injury insurance; the last three are called property damage insurance.

2. Bodily injury liability insurance protects the driver of the car from claims resulting from injuries or deaths for which the driver is found to be at fault.

3. In the term 100/300, the 100 refers to the limit, in thousands of dollars, that the insurance company will pay for injuries to any one person in any one accident. The second number is the maximum, in thousands of dollars, that will be paid for all the injuries resulting from any one accident. Car owners should consider carrying large amounts of bodily injury liability insurance because hospitalization and other medical costs resulting from accidents are very expensive, and court juries often award large sums to injured people. The driver who is not well covered may have to pay substantial sums.

4. Benefits would be paid for a driver who is protected by medical payments insurance in the following instances: (a) a passenger in the driver's car is injured, (b) the driver is injured in an accident, (d) the insured person is crossing the street and is injured by a passing car. The neighbor in (c) is not covered against injury under the driver's medical payments provision. Bodily injury liability insurance would be needed in this instance.

5. Any property that your car damages when you are at fault is covered by property damage liability insurance. Ordinarily, the property damaged is another automobile, but it could be fences, buildings, or other property.

6. The amount for which you make a claim under comprehensive physical damage insurance is ordinarily determined by the cost of repairing the damaged car. In the event the car is totally destroyed or stolen, the estimated value of the car at the time of loss is the basis for settlement of the claim.

7. Collision insurance provides protection against damage to the owner's car that is caused by collision or upset.

8. In quoting the cost of insurance coverage to a prospective insurance purchaser, a company will take into account such factors as (1) the community in which one lives, (2) the value and type of car, (3) whether the car is used for business or pleasure, (4) the amount of the deductible, (5) the driver's safety record, (6) the driver's age and other characteristics, and (7) the average number of miles driven in a year.

9. The two types of discounts that some automobile insurance give to certain drivers are (1) the good student discount, for young drivers who have good scholastic records, and (2) careful driver discount, for drivers who have not been involved in any accidents where they were at fault and who have not been convicted of any serious traffic violations.

10. The fault concept of insurance holds that the person who caused the accident or that person's insurance company should pay damages, and therefore the person at fault must be determined before settlement is made. The no-fault concept is based on the idea that the long delays in accident-case settlement are caused by the difficulty of determining who is at fault. Under this plan, people injured in auto accidents can collect their financial losses from their own insurance companies without determining who was at fault.

Applying Your Business Knowledge, page 372

1. No. Steve's insurance coverage was not sufficient to meet the total amount of the court's judgment. Steve's insurance was only 10/20, which means that his insurance company was liable for payment of only $10,000 per person injured and to a total of only $20,000 for the entire accident. Therefore, since the total award was $25,000, Steve will be liable for the $5,000 excess.

2. John Bronsky probably pays the higher insurance rates since he uses his car both for business and pleasure. Since Mr. Bronsky travels a great deal, the insurance company takes into account the greater likelihood of accident as compared with his sister who drives only a few miles each week. Also, Mr. Bronsky probably drives a larger car in

in which he may carry sample merchandise or other business items. Since larger and more expensive cars cost more to repair, this fact also has a bearing on insurance cost.

3. Roberta Fletcher would need the following types of automobile insurance to be covered in these mishaps:

   (a) property damage liability insurance to pay for knocking down her neighbor's mailbox and ruining a flower bed.

   (b) collision insurance to pay for repairs to her car caused by the collision.

   (c) comprehensive physical damage insurance to pay for damages to her car caused by a falling tree branch.

4. Larry should have been covered by bodily injury liability insurance (which would have protected him against injury caused to the other driver), medical payments insurance (which would have paid his own medical expenses), property damage liability insurance (which would have paid the cost of repairs to the other driver's car), and collision insurance (which would have paid the cost of repairs to his own car).

5. There are two views on this. It might be wise for Kay to drop the collision insurance because in case of accident involving total loss Kay would receive in compensation only the depreciated value of her car. However, if the car provides her with good and inexpensive transportation, she should realize that continuing the collision insurance would provide coverage against collision when the damage caused was less than total. Thus, a collision accident that results in a broken windshield and a damaged front end, for example, may cost several hundred dollars. Collision insurance would cover this cost. Perhaps Kay should consider continuing the collision insurance, but reduce the cost of it by increasing the deductible amount.

6. Under no-fault, those injured in a three-car accident would submit their claims to and be reimbursed by their own insurance companies without having to wait for the determination of who caused the accident. In a state without no-fault, financial settlement would probably have to wait until a court determined who was at fault. In the meantime, the injured parties would have sustained heavy medical expenses causing great financial burdens.

Enriching Your Business Understanding, page 374

1. Answers will vary, but they should include such points

as the purpose of the law, types of insurance coverages required, who is covered by the insurance, whether the insured will receive no-fault benefits if injured in an accident in another state, how claim for payment is made and, how the law affects rights to sue for damages. For example, under Connecticut law the purpose of the law is to guarantee the insured fast, fair payments for injuries received in auto accidents. The insured is paid directly by the person's own insurance company--regardless of fault. Private passenger car owners must carry bodily injury liability insurance, property damage liability insurance, uninsured motorist coverage, and a new type of no-fault coverage called basic reparations benefits. Connecticut's plan provides payment to the insured and family for injuries received in an auto accident anywhere in the United States or Canada. Payment is made to cover medical expenses, loss of wages and expenses for household services an injured person is unable to perform, funeral expenses, and certain survivors' losses. Claim for payment is made to the insured's insurance company. A lawsuit is permitted under certain circumstances, such as if the accident results in death or permanent injury or certain other serious losses.

2. Answers will vary. An insurance company in one locality quotes premium rates on a new $4,000 car for an insured who is over 21 years of age as follows:

Property damage liability ($5,000)	$101
Comprehensive physical damage	26
Collision ($100 deductible)	280

Some states also require that the motorist carry other coverages such as uninsured motorist insurance.

3. Answers will vary. In one state if an accident occurs and the driver has no insurance, the driver must comply with the financial responsibility law. This law provides that (1) there must be an agreement to pay or the actual payment must be made to the other parties involved in the accident or (2) a decision of non-liability must be obtained from the court or (3) a hearing by the Motor Vehicles Department requesting relief may be requested. If the above is not complied with, the driver's license is suspended for two years. If after two years no suit is entered, liability is discharged on a "no suit pending" basis.

4. Answers will vary depending on the practices of the companies the insurance agent represents. One company recommends the following courses of action:

(a) If you sell your car and buy a new one, contact your agent and merely have your present automobile insurance transferred over to the new car. You will be billed for the increase in cost of the coverage on the new car.

(b) If you sell your car four months before the policy expires and do not intend to replace it, you should contact your agent and cancel your insurance. You will receive a refund for the unexpired time of the policy, but the refund will be on a short-rate basis.

(c) If conditions of driving change, you should contact your agent and request the proper endorsements to cover the new conditions regarding the use of the car or the number of drivers. If an insured moves to another locality some distance away, some companies will advise the insured to cancel the policy and obtain new insurance with a company in the new geographical area. Others will merely effect an interregional transfer.

5. Answers to this question will vary, depending upon the laws of the state in which the student resides. Generally though, no matter how slight the accident, the driver should:

(a) Stop and find out the amount of injury, and give help if necessary.

(b) Give name, address, license number, and registration number as asked for by any witness or other person involved in the accident or by a policy officer.

(c) If you damage a parked vehicle or other property and cannot find the owner, report this to the local or state police.

(d) Within five days after an accident, make a written report to the Motor Vehicle Commissioner if there are any injuries involved in the accident or if the damage done to property of any one person amounts to more than $400. Printed forms are available at police stations.

Norman's suggestion is the better one. Since there was injury to a person involved in the accident and substantial damage to the two vehicles, it is better to call local or state police and wait for them to arrive at the scene of the accident before leaving. It may be easier to establish accurately the facts regarding the accident at that time than later. It is also wise to get the names and addresses of any witnesses to the accident if that is possible.

Part 32

HOME AND PROPERTY INSURANCE

Learning Goals

1. Compare coverages of the basic, broad, and comprehensive forms of a homeowners' policy.
2. Determine when a person has an insurable interest in property.
3. Know why the amount of insurance on property should be based on the property's present value.
4. List at least four factors that affect the cost of property insurance.
5. Explain what information is needed to support a claim for losses on property and how such claims are made.
6. Understand the meaning and importance of personal liability insurance.

Suggested Teaching Procedures

1. Emphasize the following points, which are common to all types of property insurance:

   (a) Only those who have an insurable interest in property can insure it. The insurable interest must exist at the time that a loss occurs. If it does not, indemnity for the loss cannot be obtained.

   (b) When a loss occurs, it is necessary for the insured to prove the amount of the loss.

2. Emphasize the necessity for keeping an accurate and up-to-date inventory of household goods. A household inventory should be brought up to date at least once a year and kept in a safe place so that if a fire loss does occur on household furnishings, the amount of the loss can be estimated quickly. Point out the advisability of photographs of household furnishings as additional support or proof of loss. Discuss Applying Your Business Understanding activity 3 at this time.

3. Be sure students understand the need for updating property insurance coverage, especially in a period of inflation. Transparency Master 32-2, which illustrates this in table form, should be used in this connection.

4. Explain carefully the meaning of a homeowners policy. If desired, invite a representative of an insurance company to explain to the class the risks covered by such a policy and the individual policies that it replaces. Use Transparency Master 32-1 in dealing with the types of hazards covered under the homeowners policy. Applying Your Business Knowledge activity 4 could be used as the basis for discussion here.

5. Have students discuss situations under which a tenants policy should be purchased. Solving Business Problems problem 1 might be discussed at this time.

6. Have students prepare a bulletin board display of pictures illustrating losses by fire in order to emphasize the frequency of such losses in everyday life.

7. The term "depreciation" introduced in this part should be carefully explained. Have students illustrate the meaning of the term as it applies to the ownership of an automobile.

8. Have individual students investigate the fire insurance rates on dwellings located in different sections of the community. Students may report their findings as a basis for class discussion of differences in rates and the causes for any differences found.

9. Ask students to inspect their homes and garages for fire hazards and then have them prepare a list of conditions they feel might result in damage or loss to the property. Also ask the students to indicate what should be done to improve the conditions and reduce the risks.

10. Arrange to have two or three responsible students go to the local fire station or the headquarters of the city fire deparment to find out the number of fires that occurred during the previous month, the principal causes, the number of people injured, and other significant information.

11. Invite a school official to describe to the class what insurance policies are carried to protect the school district against losses resulting from fire, theft, or other causes. Also ask the official to explain to what extent the school district is protected against personal liability claims from students, teachers, and others who may be injured while on the school's premises.

Achievement Test 10 should be administered after the students have completed Part 32.

Improving Your Business Vocabulary, page 382

1. real property
2. personal property
3. homeowners policy
4. tenants policy
5. standard fire policy
6. extended coverage
7. insurable interest
8. proof of loss
9. depreciation
10. inventory
11. personal liability insurance

Understanding What You Read, page 382

1. Examples of the kinds of risks that property owners face are: those involving theft of property; damage to property due to vandalism, floods, windstorms, and hurricanes; and damage or loss due to fire and smoke. The property owner also runs the risk of loss because of injury to other people while on his property.

2. The two main classes of property are personal property and real property.

3. The broad form of the homeowners policy protects against more perils than the basic form.

   The basic form is limited to protection against the more common perils that may befall a homeowner. The broad form provides protection against these risks and also about a helf dozen others. The comprehensive form offers coverage against more perils than either the basic or the broad form. In fact, it is sometimes referred to as an all-peril policy in that protection is provided against all perils other than those named in the policy.

4. Renters may purchase a tenants policy to protect their household contents and personal belongings. The policy provides protection similar to that offered homeowners.

5. The standard fire policy insures mainly against losses caused by fire or lightning. The extended coverage provision expands the coverage to include such risks as damage caused by wind, hail, and smoke.

6. Insurable interest is the term that is used to indicate whether or not a person would lose money if a certain piece of property were damaged or destroyed. To make a property insurance claim, a person must have an insurable interest in the property at the time of loss.

7. Homeowners should review their home's value every few years mainly to be sure that their insurance coverage gives adequate protection. Building costs and property values tend to increase over the years, and therefore the cost of replacing lost or damaged property becomes greater. Also, a property owner tends to acquire more real and personal property as time passes, so that the amount of insurance protection needs to be updated every few years to accommodate the accumulation of property and the increasing value of the property.

8. The factors that affect the cost of property insurance are the type of construction and the material of which the building is made, the location of the building, the accessibility to fire department protection and water supply, the length of the policy term, and the amount of coverage and amount of the deductible clause.

9. The owners of a homeowners policy should keep an inventory and photographs of the property that is insured. The inventory provides the basic information about the property: type of property, when acquired, and the cost. The photograph is proof of the existence and location of the property and helps to establish proof of loss. This information is needed when a claim is made.

10. Personal liability insurance protects the policyholder against claims arising from such accidents as a guest falling on a broken step and becoming injured, the dog biting a neighbor, or hitting a baseball through a neighbor's window.

Applying Your Business Knowledge, page 383

1. No. The insurance company will not pay Mr. Winfield for the loss. Mr. Winfield's insurable interest in the house ended at the time he sold it.

2. No. Helen's personal liability insurance would protect her against claims of injury to other persons if the other person brings suit against her and the court finds her at fault. In this case, Helen should have had medical payments coverage which would have paid Maria's medical bills. This type of insurance pays regardless of who is at fault and whether or not the accident occurred on the insured's property.

3. The Carver family has the better plan. In the event of fire, the chances are that the Ossen inventory would be destroyed since the intense heat of the fire would melt or otherwise destroy the metal file. Having an extra copy of the inventory in a safe place off the premises

of the insured property is the better plan. Yet, for convenience, it is also desirable to have a copy at home for ready reference from time to time. Some families also like to file a copy of the inventory with their insurance agent.

4. Mr. Stein's basic form of homeowners insurance would protect him against the following losses: (a) clothing damaged by smoke from a smouldering fire in his bedroom, (b) damage caused by vandals, (d) damage to roof shingles caused by windstorm, (f) damage to windowpanes broken by rocks. Mr. Stein would need broad form coverage to protect him against these losses: (c) damage caused by flooding due to frozen water pipes, (e) damage caused by mass of wet snow falling off the roof.

5. Mr. Polewski can determine the value of his house in several ways. He can have an independent real estate appraiser appraise the value of just the house. However, for insurance purposes, most insurance companies provide the service of assisting the homeowner in determining the value of the house to be insured. They do this with the aid of a residential replacement cost guide. This guide assists one in determining just the value of the structure that is eligible for insurance, i.e., the house itself excluding the foundation, the septic system, the well, and the like. In order to make full claim for loss, the homeowner must insure his house for at least 80 percent of its value.

   Mr. Polewski can obtain a close estimate of the value of his personal property by determining or estimating what he paid for each piece of personal property and how long he has had it. He can then estimate its present value for insurance purposes. For example, if he bought his power mower for $125 three years ago and estimated at that time that it would last five years, he might assume the mower had depreciated $75 ($125 ÷ 5 = $25 depreciation each year; $25 x 3 years = $75). Therefore, he would expect the present value of the mower to be $50.

Enriching Your Business Understanding, page 385

1. Investigations of causes of fires reveal that many fire losses are caused by the careless use of cigarettes and smoking materials. In a recent year, the National Fire Protection Association estimated that over 100,000 fires were caused by smoking-related factors. Therefore, some insurance companies feel that because nonsmokers are better risks than smokers, they are willing to give discounts to homeowning families who do not smoke.

   Student answers will vary as to whether in their communities insurance companies offer this type of discount. In those communities where such discounts are given, the amount of the discount may run between 5 and 10 percent of the regular annual premium.

2. Answers will vary depending upon the reference sources used. The inventory form that the student draws up should provide space for the following:

    number and type of item
    when purchased
    cost of item
    estimated life of item when acquired

3. (a) By government-backed insurance is meant that if companies insuring homes against flood suffer excessive losses, the government will subsidize those losses.

    (b) The types of losses that are covered under flood insurance are those caused by flooding due to heavy and excessive rain, rivers overflowing their banks, damaged or overflowing dams, and the like.

    (c) Answers will vary. An area must be approved by the Federal Insurance Administration of the United States Department of Housing and Urban Development as one in which flood insurance can be offered with federal backing.

    (d) Answers will vary. In an approved area, flood insurance may be offered by insurance companies. Flood insurance, however, tends to be somewhat expensive.

4. Insurance is for protection, and only those who have an insurable interest need protection. Furthermore, if anyone can insure a piece of property, a criminal might be tempted to insure the property of another person and then have it damaged or destroyed by a fire.

5. Ordinary property insurance policies limit the amount that will be paid for the loss of a very expensive item of personal property because of the high risk of such property being lost, stolen, or damaged. However, a person can fully insure such articles by adding a personal articles floater provision to his property insurance.

Part 33

LIFE INSURANCE

Learning Goals

1. Realize that life insurance is designed mainly to replace lost earning power ordinarily due to the death of the breadwinner to provide for dependents.

2. Realize that a life insurance program should be carefully planned in relation to the needs of an individual and family, and that as needs change adjustments in one's insurance coverages may also be called for.

3. Determine whether or not a person has an insurable interest in the life of another person.

4. Distinguish between term insurance and whole life insurance.

5. Explain why endowment insurance may be considered mainly as a savings plan which also gives insurance protection.

6. Understand that the cost of life insurance depends on the age of the person being insured and the type of policy selected.

7. Comprehend the concept cash value and how and why it varies for different types of insurance policies.

Suggested Teaching Procedures

1. Generally speaking, when you purchase insurance, you get what you pay for and no more. It is unrealistic to say that one kind of policy is better than another, as all types have certain advantages for certain situations. One policy may seem to be better than another because it is less expensive, but a further examination of the policy may disclose the fact that this less expensive form of insurance gives fewer benefits than do more expensive policies.

2. The Understanding What You Read questions may be combined with the exercises Test Your Understanding of Life Insurance on page 45 of the workbook. Part 33 is more concentrated than other parts in the use of insurance expressions. Note that 16 new terms are listed on page 394 of the textbook. Teachers should probably spend additional time in defining and using

these new words so that the students can develop a better comprehension of the content of the part. Be sure that students understand the meaning of insurable interest as it relates to life insurance. Applying Your Business Knowledge activity 1 provides opportunity for further discussion of this concept.

3. Develop class discussions that bring out the need for life insurance and the benefits of such insurance. Get from the students examples showing how the benefits of a life insurance policy have made it possible for children to obtain an education. Obtain other examples showing how dependents have suffered hardships because of the lack of life insurance.

4. Have students examine application blanks for life insurance and conduct a class discussion on the importance of health as a factor in obtaining life insurance. Call:

   Midland Mutual Insurance Co.
   228-2001

5. Ask the students to collect advertisements and other literature published by life insurance companies and have them analyze the advertisements to discover the emphasis given by life insurance companies to the promotion of better health habits among people. Bring out through class discussion reasons why life insurance companies promote activities pertaining to health.

6. The chart on page 393 in the textbook is a valuable teaching aid. The chart shows graphically the difference in the premium costs between the types of policies. Further discussion on cost of life insurance of different types is provided by Enriching Your Business Understanding activity 2 relating to travel insurance and activity 3 relating to hazardous occupations.

7. Analyzing the Growth of Group Life Insurance on page 46 in the workbook includes a line chart that is presented to give the student further experience in interpreting and analyzing statistical data. A discussion period may be devoted to the concept of group insurance, its growth, plans under which students' parents are covered, and other aspects.

8. Transparency Masters 33-1 and 33-2 may be suitably used as a summarizing activity to show how life insurance works. These are rather involved illustrations. The teacher may find it helpful to ask a small group of students to analyze these charts and then interpret them to the class.

9. Write the following information on the chalkboard:

   (a) Mike Madison, 15, a student who lives at home with his parents

   (b) John Jefferies, 35, who has a wife and four children and who still owes $15,000 on the home they live in

   (c) Carol Jones, 22, an unmarried secretary who shares an apartment with another working girl

   (d) Harold Hall, 69, retired and living alone

   Then ask, "Which of these people needs life insurance the most?" When you have the correct answer (John Jefferies), follow up by asking why.

10. Have students bring to class magazine advertisements of life insurance companies and analyze them to see which particular needs of life insurance are being stressed.

11. Plan a field trip to the Southeast Career Center to observe the different career opportunities available in the field of insurance.

    Appoint a committee to interview (3 students) people working in the different areas. Report their interviews to the class the following day. Call Southeast Career Center, 497-1800.

12. Plan a field trip to a local life insurance company. Students can compare simulated setting at Southeast Career Center with actual office setting. Call:

    Midland Mutual Insurance Co., 228-2001
    Nationwide Insurance Co., 227-6229

13. Role-play a husband-wife situation whereby a life insurance representative is attempting to sell a policy.

Improving Your Business Vocabulary, page 394

1. beneficiary
2. term insurance
3. renewable policy
4. convertible policy
5. level term insurance
6. increasing term insurance
7. decreasing term insurance
8. mortgage insurance

9. whole life insurance
10. straight life insurance
11. limited-payment policy
12. endowment life insurance
13. guaranteed insurability option
14. family income policy
15. group life insurance
16. cash value

Understanding What You Read, page 395

1. An insurance company ordinarily requires an insurance applicant to have a physical examination in order to determine the applicant's state of health. A person in poor health is a greater risk than is one who is in good health.

2. You have an insurable interest in another person if you would receive some kind of financial benefit from that person's continued life. Thus, a wife would have an insurable interest in her husband's life if he is the breadwinner. But the same husband would also have an insurable interest in the life of his wife since her services in managing and maintaining the home would be very expensive to replace were she to die. Many other illustrations could be given.

3. Two basic types of life insurance are term insurance and whole life insurance.

4. Term insurance is the least expensive form of life insurance. Of course, when renewed, the cost of term insurance increases, whereas in whole-life, the premium remains constant.

5. Mortgage insurance is actually decreasing term insurance. The rate at which the insurance declines corresponds to the declining balance of the mortgage. The purpose of mortgage insurance is to pay off the mortgage debt in the event of the insured's death.

6. The limited-payment policy provides that premium payments will be paid only for the number of years stated in the policy. After that time the policy continues in force without further premium payments. Under the straight life policy, the premium payments are made throughout the life of the insured.

7. The guaranteed insurability option provides the policyholder with the right to buy additional insurance even though he may become uninsurable at a later time because of such a reason as poor health. However, ordinarily the amount of additional insurance one can buy is limited.

8. The primary difference between term life insurance and whole life insurance is that term insurance is purchased solely for protection--it has no accumulating cash value. Whole life insurance, on the other hand, accumulates cash value as long as the policy remains in force. Another difference is that the premium on the whole life policy remains constant during the lifetime of the insured or during the limited-payment period. Under the five-year renewable term policy, for example, the premium rate increases at each renewable term, but remains constant during that term.

9. The family income policy is referred to as a combination plan because it combines straight life insurance with decreasing term insurance. At the death of the insured, monthly income is provided through the decreasing term insurance part of the policy, and an immediate lump sum payment is provided through the straight life insurance part of the policy.

10. The cost of group life insurance is less than the cost of a similar amount of protection bought individually because insurance for many people can be handled more economically in one policy. The reduction in costs due to less paperwork and fewer individual sales contacts reduces the company's expenses, some of which savings can be used to reduce premiums to the members of the group plan.

11. Endowment insurance is the most expensive type of insurance to buy because it is really a savings plan that also provides insurance protection. Premium payments are made for only a limited period of time, and the full face amount of the policy is payable at the end of that period. If the insured dies at any time during that period, the face amount is paid to the beneficiary. These features make endowment insurance premiums high.

12. No. If a person stops making payments on his whole life insurance policy, he is entitled to a return of the accumulated cash surrender value of the policy. Of course, he can use this amount, if he wishes, to maintain the policy in force. In effect, he would be using the cash surrender value to pay the policy premium.

Applying Your Business Knowledge, page 396

1. Harriet Engle has an insurable interest in the life of:

(a) her mother, since she is the financial support of the family

(b) her uncle, since he is going to pay for Harriet's college expenses

She does not have an insurable interest in the life of (c) her best friend at school, since she receives no financial benefit from the continued life of this friend.

2. Loss of income usually is more serious to a family than loss of property, because lost property can be replaced if income continues. But if the income source is lost, the means of meeting expenses and needs is also lost.

3. The factors that should be taken into account in advising Mrs. Corbo are these:

   Since there are the two young children, Mrs. Corbo needs the greatest amount of protection that she can get for the least amount of money. The term policy gives her that.

   If it is assumed that Mrs. Corbo now has or can obtain a full-time job and that her children can be cared for at modest expense, it may be that she is considering additional insurance in the near future. The type and amount of insurance she plans to add to a first policy is a factor to be considered. She may wish to consider later a whole life policy for further protection and as a means of forced savings.

   The present and expected future state of Mrs. Corbo's health is a factor that must be taken into consideration in the purchase of insurance. She will probably want to be sure that any term policy she buys has a guaranteed renewable provision.

4. The more coverage and benefits a policy includes, the more expensive it is likely to be. Thus, if renewable or convertible provisions are included in the policy, the premium will reflect these added features. The cost is more because in the event of continued renewal or exercise of conversion privilege, the likelihood that a claim will be made to the company increases.

5. The guaranteed insurability option is useful to Ron to assure him that he can obtain additional insurance at a later time when, perhaps because of ill health, he might not otherwise obtain such insurance.

6. Answers will vary, but the following are reasonable

recommendations:

(a) Dan Phelps probably should buy a term policy with guaranteed renewability option. The term policy gives him the lowest premiums and guarantees him the opportunity to add to his insurance at a later time when he is in a better position to afford it.

(b) Tony Ribera should probably consider a family income policy. Such a policy would pay a lump sum at Tony's death which could be used to pay off any mortgages or outstanding debts. It would also provide a monthly income that could support Tony's invalid and widowed mother.

(c) Jean Tarr should consider a limited payment whole life policy. This type of policy gives her insurance protection as long as she lives and builds up a good cash surrender and loan value. If Jean who is now 35 retires at 65, a 30-year limited payment policy would meet her needs nicely.

7. Endowment insurance is called an insured savings plan because it provides protection in the amount of the face amount of the policy while building up during the term of the policy a high accumulated cash value. The student should realize that at the end of the period, the face amount of the policy (not the total amount of premiums paid in during the policy period) is the amount paid to the policyholder. In effect, the policyholder has saved the difference between the net premiums paid to the company and the face amount of the policy which he receives in cash at the end of the policy term.

8. For group insurance, physical examinations are not ordinarily required of those who participate in the plan because the risk is spread among the group. The few members of the group who might be found to be uninsurable were they subject to an examination represent a small segment of the total group. Premium rates quoted for a group policy also take into account that a given proportion of a given group might be below normal health standards.

Enriching Your Business Understanding, page 397

1. The exact origin of life insurance is not known. However, there is a record of one case when a William Gybbons of London is said to have bought a year's protection for £32. He died within the year, and his heirs collected £400.

It is probably that life insurance grew out of marine insurance. It was the custom for a shipowner to insure his ship and cargo. Someone got the idea of insuring the ship's captain against capture by pirates and against death during the voyage. Later, insurance was written to insure a ship's passengers. Later still, insurance was written to insure a person's life for a year against death from any cause.

The first life insurance company in the United States was established in Philadelphia by the Presbyterian Church in 1759. It was called the Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Windows and Children of Presbyterian Ministers. In 1794 the Insurance Company of North America was chartered, but lasted only ten years. The Pennsylvania Company for Insurance on Lives and Granting Annuities was incorporated in 1812. It was the first company organized in America solely to sell life insurance and annuities. The New England Mutual Life Insurance Company of Boston began business in 1843 and was the first mutual company. In 1849 the state of New York passed its first general insurance law, and in 1859 this state established an insurance department. In the mid-nineteenth century some of the nation's leading insurance companies which are still active today were founded. The life insurance business developed quite rapidly with the active selling efforts of agents.

2. A person might be interested in travel insurance for protection for a specified period of time under travel conditions. He may consider that the chances of injury or death are greater enroute to and from a distant destination than they are during the regular workday routine in his home community. Travel insurance differs from whole life insurance in that there is no savings element whatever. It is actually a term policy of very short duration.

3. Answers will vary depending upon the companies that the insurance agent represents. Companies often quote rates for life insurance in terms of amount of surcharge per $1,000 of insurance. Here are some examples of occupations listed as hazardous and the amount of the surcharge on the regular rates:

	Surcharge
Blasters (oil field)	$ 2.00
Iron and stell bridge construction	
skilled workers	2.00
general laborers	3.50
Marine construction	
skilled workers	2.00
divers	7.50

	Surcharge
Crop control pilots	$10.00
Building window cleaners	2.00
Sewer department laborers	2.00
Steeplejacks and flagpole workers	15.00

It is interesting to note that professional team sport athletes are not considered to be engaged in hazardous occupations and therefore are not in surcharge classifications.

4. It would seem that Peter and Carol would be wise to take out the bulk of insurance on Peter's life, since he is the breadwinner. However, Carol's contributions to the home have a very real economic value, too, and would have to be replaced if she were to die. Perhaps a better alternative would be, since they are young and perhaps limited in the amount of money they can spend for insurance, to buy term insurance policies on both of them, but double the amount on Peter.

Some companies offer what is called a joint life policy. Under this plan, both husband and wife are insured under one policy. If the husband dies, the wife is the beneficiary; if the wife dies, the husband is the beneficiary. Since only one policy face amount is paid, this type of policy is much cheaper than would be the purchase of separate policies in the same amount on each of them.

Part 34

HEALTH INSURANCE

Learning Goals

1. Illustrate why the number of people having health insurance protection has increased greatly in recent years.

2. Differentiate among the four basic kinds of surgical expense insurance, regular medical expense insurance, and major medical expense insurance.

3. Explain why group health insurance policies are lower in cost than comparable individual policies.

4. Understand what is meant by workmen's compensation and why a person covered by it should obtain additional health insurance.

5. Summarize the differences between Medicaid and Medicare.

6. Explain such developments as dental care insurance and health maintenance organizations as means of dealing with medical costs.

Suggested Teaching Procedures

1. Sufficient time should be spent discussing the various types of policies presented on pages 399-401 so that students will understand the protection that may be obtained. Attention should be called to the spectacular growth of health insurance as shown by the chart on page 402.

2. A committee may be selected to bring to class advertisements of the various plans of insurance against accidents, ill health, and hospital and surgical expenses. It may be possible to secure actual policies that could be displayed and used for comparison purposes as part of the discussion.

3. Describe for the students the group health insurance plans that may be available through the school for its teachers, administrators, and other employees. The teacher of the general business class may create added interest by using his or her personal group insurance coverage as a case example and touching on such questions as the following: How much does the plan cost? How much does the school district pay? Are members of the teacher's family protected? What are the basic coverages? What happens if the teacher retires or moves to another posi-

tion? What doesn't the policy cover? Specifically, how has the teacher benefitted from the policy during the last two or three years?

4. If a trip has been taken recently (or if one is planned) to a manufacturing establishment in the community, the students may recall specific safety devices installed to reduce the number of industrial accidents. Some students may be familiar with individuals who have received or are receiving benefits under workmen's compensation laws. A discussion about the workmen's compensation laws in your particular state would be appropriate at this time.

5. Many members of this general business class will, in a very few years, be employed in jobs covered under workmen's compensation. Therefore, this type of insurance should be thoroughly discussed. Since each state has a workmen's compensation program, a committee of two members of the class might be asked to prepare a report on the program in that state. Such points as who is covered and the amount and duration of benefits should be included in the report.

6. Some communities throughout the United States are developing health maintenance organizations. The teacher or a small committee of students should report on any HMO or related health care organization in the community in which the school is located. The HMO is a relatively new way of dealing with rising medical costs. Use Transparency Master 34-1 as a basis for discussion of ideas that help keep hospital costs down. The teacher might also consider using Enriching Your Business Understanding activity 3 as the basis for discussion.

7. Much attention is being given to passing a national health insurance program. Use Transparency Master 34-2 to illustrate the plans that are currently under consideration and the estimated costs of such plans. Encourage students to follow the progress of proposed legislation.

8. Look at a copy of the school health insurance form. Discuss the types of coverages offered and the benefits received if an injury occurs.

9. Call:

Ohio Insurance Institute
620 East Broad Street
228-1593

for materials or guest speaker.

Improving Your Business Vocabulary, page 405

1. hospital expense insurance
2. surgical expense insurance
3. regular medical expense insurance
4. basic health coverage
5. major medical expense insurance
6. coinsurance clause
7. dental expense insurance
8. group health insurance
9. health maintenance organization
10. workmen's compensation
11. Medicaid
12. Medicare

Understanding What Your Read, page 406

1. The four basic types of coverage provided by health insurance are:

   (a) Hospital expense insurance, which pays part or all of the charges for room, board, and certain other hospital expenses such as anesthesia, X rays, laboratory tests, and drugs.

   (b) Surgical expense insurance, which pays part or all of a surgeon's fee for an operation.

   (c) Regular medical expense insurance, which pays part or all of a doctor's fees for nonsurgical care given in the doctor's office, the patient's home, or a hospital.

   (d) Major medical expense insurance, which provides protection against the very large costs of serious or long illness or injury. It helps pay for all kinds of health care prescribed by a doctor, including cost of treatment in and out of the hospital, special nursing care, and X rays.

2. The purpose of the deductible clause in a health insurance policy is to discourage the filing of minor claims.

3. A health insurance policy with a coinsurance clause is less expensive than one without such a clause because under this provision the insured person will have to pay a certain percentage of the costs over and above the deductible amount. This encourages the insured person to take care of himself and to keep his medical expenses as reasonable as possible.

4. A dental expense policy covers normal dental care including examinstions, X rays, and fillings, as well

as more expensive types of dental work.

5. The cost of being insured under a group health insurance policy is less than the cost of an individual policy because insurance companies can administer group plans more economically, and thus the cost is lower to each person in the group. Under a group policy, a single master contract is issued to the company, union, or other organization that purchases the policy, and the employees or members who participate in the plan get certificates to indicate their participation.

6. Perhaps the best known nonprofit organizations are Blue Cross and Blue Shield. Blue Cross plans pay hospitals for part or all hospital care provided their subscribers. Blue Shield plans pay part or all of the physician's charges for medical and surgical treatment.

7. The purpose of workmen's compensation insurance is to provide medical benefits to employees who are injured on the job or become ill as a direct result of their working conditions. State laws require employers to provide and pay for this type of insurance to cover their employees.

8. Yes. A workman is entitled to workmen's compensation insurance benefits for injury on the job whether or not he was at fault.

9. Medicaid is a form of medical aid to low-income families. It is designed to provide health benefits to medically needy families.

10. The two basic parts of the Medicare plan are hospital insurance and medical insurance. Hospital insurance provides coverage for hospital care, care in a nursing home and some home health care. Medical insurance mainly provides coverage of physicians' services and visits by nurses to the patient's home.

Applying Your Business Knowledge, page 406

1. (a) Yes. Marcia should definitely protect herself by buying health insurance coverage. The cost of medical care over the last several years has grown much faster than consumer prices as a whole. In many communities, daily hospital costs amount to $100 a day or more and physicians' fees continue to rise. Thus, modest savings could be exhausted quickly by even a short illness not covered by insurance.

   (b) Marcia might be eligible to join a group plan at the place where she works part-time. Also, many educational institutions offer group medical coverage to their students. She could also obtain medical insurance privately from an organization such as Blue Cross, but she would probably pay much less for insurance as a member of a group.

2. The cost of the two types of insurance is about the same because although the major medical coverage is more extensive, there is less likelihood of claims being paid at these higher limits. Regular medical expense claims, though for lesser amounts, will be made more frequently. Processing and paying the more frequent claims is expensive to insurance companies. Major medical insurance picks up only those costs that are not paid for by such other forms of insurance as Blue Cross, Blue Shield, and regular medical expense insurance. Relatively few claims exceed the amounts allowed under these basic coverages.

3. If the choice is between a Blue Cross hospital expense plan and a Blue Shield surgical expense plan on the one hand and a major medical plan on the other, this young couple should be advised to purchase the major medical plan to protect them against the great financial loss that a serious or long-term injury or illness would bring--a financial loss from which they might never recover. However, a young family generally has a pretty tight budget, and even relatively minor injuries or illnesses requiring hospitalization might result in financial hardship. Perhaps Art and Mary Lou ought to obtain hospitalization and surgical coverage that Blue Cross and Blue Shield provide in addition to the major medical coverage.

4. Dental insurance is gaining in popularity because of the rising cost of dental care and because people are increasingly becoming more conscious of the importance of proper dental care. Perhaps television advertising of toothpastes and other dental products has made people more conscious of the appearance and condition of their teeth.

Enriching Your Business Understanding, page 408

1. Eye care insurance, home care services insurance, and prescription drug insurance are newer types of coverage and are still somewhat in the experimental stage. Prescription drug insurance pays for those drugs that a doctor prescribes for the patient. Eye care insurance covers such costs as eye examinations and prescription glasses. Home care services insurance covers the cost of care of invalids who are confined to their homes.

2. Answers will vary. However, health and accident mail order plans mainly offer daily cash benefits, exclusive of any other insurance, for each day a person is in the hospital. Some guarantee to renew the plan at the expiration of the contract period even though claims have been made. Generally speaking, mail-order insurance plans state that their benefits will help pay otherwise unreimbursed hospital charges and doctor bills caused by hospitalization, household bills while the breadwinner is disabled, and other health bills missed by standard coverage.

   The student should be cautioned to study the information the ads present before purchasing a mail-order policy. Mail order health insurance is an insurance mass marketing technique, and this type of insurance is purchased without benefit of an agent.

3. Answers will vary depending upon whether there are health maintenance organizations in the students' communities. The purpose of the HMO in a community is to reduce inappropriate hospital admissions, duplication of services, and administrative costs. The emphasis is on maintaining health rather than just providing care to the ill. Coverage includes a range of health services, including physicians' services, outpatient and inpatient hospital care, and emergency health services. The Health Maintenance Organization Act of 1973 gave new impetus to the HMO movement. This act provides federally funded grants, contracts, and loan guarantees to those HMO's that qualify for them.

4. Answers will vary, though most schools do provide a type of school insurance to their students. Most plans, for an annual premium, cover the student against injury caused by accident enroute to or from school and while engaged in school activities or while on school grounds. Accident insurance for athletic teams covers each member of the team, and may include managers and coaches while participating in a practice session or game or while traveling as a member of or with the team. Payment is made for losses in the amounts specified. Benefits are paid for such losses as life, both hands or feet, sight of one or both eyes, etc. Most insurance plans also pay the actual medical expenses incurred within a year from the date of the accident, though there may be deductible amounts and stated limits of coverage.

Part 35

INSURING FOR INCOME SECURITY

Learning Goals

1. Understand that loss of income or disability income insurance is designed to help replace income lost due to illness or injury.

2. Contrast unemployment insurance with workmen's compensation.

3. Describe the differences and similarities between pensions and annuities.

4. Know how social security is financed by prescribed contributions from workers and employers.

5. Realize that social security provides protection not only for the aged but also for surviving spouses and children.

6. Appreciate the need for pension plans in addition to social security.

7. Know how to obtain a social security number and card and how and when to apply for social security benefits.

Suggested Teaching Procedures

1. A social Security Kit has been and probably will continue to be made available by the Social Security Administration. This kit is designed for the teacher's use in the classroom. The kit includes various charts explaining such things as the history and essentials of the social security program. It tells how the program works and discusses the benefits that may be obtained.

   A suggested outline is included for the study of social security. The kit also gives thorough information on social security coverage for young families. This kit is available as a free service from local offices of the Social Security Administration.

2. Be certain that students know what protection is provided by pensions, annuities, loss of income insurance, state unemployment insurance, and social security, and also the difference between these types of protections. Students should work through the nine questions in Understanding What You Read on page 415. Also, activities 1, 2, and 5 of Applying Your Business Knowledge provide additional discussion opportunity. Enriching Your

Business Understanding activity 3 deals with the concept of variable annuities. Students should know how the variable annuity differs from the fixed-dollar annuity.

3. Investigate your own state laws in order to learn what provisions your state makes for unemployment insurance. The study of this part will be made more interesting to the students if such information is used to supplement the textbook discussion.

4. Use Transparency Master 35-1 to illustrate the difference between hospitalization insurance and income protection insurance. This illustration indicates what income protection insurance provides for that medical insurance plans do not.

5. Emphasize that benefits of and taxes for social security change frequently. Almost every year the United States Congress proposes major or minor changes in social security. Keep up to date on changes made in the social security laws by maintaining contact with local social security officials.

6. Ascertain whether members of the class or members of the students' families have social security cards. Students may report on the types of jobs represented, the procedures for salary deductions, and cases in which people have received social security benefits. At this point the teacher may wish to arrange for students who do not have social security numbers to apply for their own cards. Check with your local social security office for advice on this matter. Use Transparency Master 35-2 to acquaint students with an application for a social security number.

7. The teacher should be certain that students are acquainted with some of the occupations in the insurance industry in which they might now or later have an interest. The qualifications needed for these occupations and the future of the insurance industry should also receive attention. Have students read the Career Focus on pages 418-420 of the textbook and then discuss such questions as the following: In the study of this unit and the problems and questions at the end of each part, what occupations have been represented? What specific kinds of work do these workers do? What are the qualifications expected of such workers?

Improving Your Business Vocabulary, page 414

1. loss of income insurance or disability income insurance
2. unemployment insurance

3. pension
4. annuity
5. retirement, survivors, and disability insurance
6. social security number
7. social security card

Understanding What You Read, page 415

1. The main difference between health insurance and loss of income insurance is that while insurance helps meet the expenses incurred by illness or injury such as hospital and doctor bills, loss of income insurance has as its main purpose replacing part or all of the income lost during recovery from illness or injury.

2. The purpose of state unemployment insurance is to reduce the risk of financial loss because of a person's losing his job. Payment of state unemployment benefits provides some income to the unemployed person for a period of time or until another suitable job can be found.

3. A pension is a monthly payment to retired workers. Pension plans are established by private companies, labor unions, professional and trade associations, governmental units, and other groups for their employees or members.

4. Some of the ways the Employee Retirement Income Security Act of 1974 helps workers are these: (a) the act assures that people under pension plans will receive their pensions even if the companies they work for go broke, (b) workers who change jobs will keep some of their pension rights rather than losing them, (c) employees not covered by a pension plan may set aside some tax-free income to provide for their retirement.

5. The difference between an annuity and lifs insurance is that life insurance is purchased mainly to protect one's dependents. An annuity is purchased to protect oneself against not hav[illegible]ate income in retirement.

6. The three groups of [illegible] ceive monthly income from social securit[illegible] workers and their families, dependent[illegible] no die, and disabled workers and their fa[illegible]

7. The federal government puts the social security taxes it collects into a special trust fund out of which retirement and other benefits are paid.

8. A social security number is of value to you not only to serve as your record of earnings, but for such other purposes as taxpayer identification. Thus, your employer, your bank, companies in which you own stock, and, of

course, the Bureau of Internal Revenue might ask you for your social security number.

9. You can obtain a social security card by filling out an application form available from any social security office, from a post office, or usually from your employer. A lost card can be replaced through a social security office.

Applying Your Business Knowledge, page 415

1. (a) When Penny Elton loses her job, she would likely receive state unemployment insurance benefits.

   (b) Joseph Danton upon retirement would receive pension benefits.

   (c) Milton Kirsch upon retirement would receive annuity benefits.

2. Millie Watson could supplement the social security benefits she will receive at retirement by purchasing an annuity now. She could do this by paying the insurance company from which she buys an annuity a certain amount of money either in a lump sum or in a series of payments. In return, the company would pay Millie a regular income beginning at a certain age and continuing for life or for a specified number of years.

3. Most states require those drawing state unemployment insurance to be available for work and to be making reasonable efforts to find work in order to discourage payment for idleness and to reduce the cost of the unemployment insurance program to the state. The purpose of the unemployment insurance program is to help the unemployed through a difficult period until they can find another job. It was never intended as a permanent dole.

4. Frequently, a person who becomes unemployed can find another job quickly. The purpose of a one-week waiting period is mainly to reduce or avoid the time and effort required to process unemployment claims. Also, the waiting period tends to reduce the number of claims.

5. In spite of the fact that unemployment insurance is available in every state, a person might wish to be covered by loss of income insurance. This is because income might be cut off for reasons other than one's losing his job. Unemployment insurance does not provide financial benefits to replace lost income when a person is unable to work because of illness or accident. Disability income insurance (or loss of income insurance) does provide

such benefits and thus helps a disabled person meet his continuing expenses.

Enriching Your Business Understanding, page 417

1. No. Workmen's compensation and unemployment insurance provide quite different coverage. Workmen's compensation provides medical benefits to employees who are injured on the job or who become ill as a direct result of their working conditions. Unemployment insurance provides benefits to replace part or all of lost wages when a person loses his job.

2. A person retiring at age 62 would receive less per month than a person retiring at age 65 because it is assumed that a person retiring at the earlier age would draw retirement benefits over a longer period of time than would one retiring at the later age.

3. An annuity is a contract that provides a regular income for life or for a specified number of years. Some annuities provide payments to the annuitant for life and also payments to the beneficiary if the annuitant does not live to receive them.

   In a fixed annuity (sometimes called a fixed dollar annuity) the company agrees to pay the annuitant a fixed dollar amount--for example, $150 a month for a specified period of time. The variable annuity plan, however, is based on the actual investment experience of the reserves maintained by the company. In other words, the insurance company does not guarantee interest or investment results and invests its reserves in such securities as common stocks. The company makes payments to the annuitant in accordance with the company's actual investment results. If the cost of living increases, the annuitant has a chance of seeing his monthly payments increase, too; but if the company makes unwise investments of its reserves, the annuitant has a chance of seeing his monthly payments decrease. Since a company's investments are under professional management and are spread over various industries and many companies within those industries, the risk of loss is reduced. Since the long term trend in our economy has been an inflationary one, many people believe that the variable annuity is the more desirable. However, since there is always a chance of reduced annuity benefits due to unfortunate or unwise investments by the insuring company, a prospective purchaser of an annuity should take this fact into account when considering an annuity.

4. Most workers are covered under social security, even those who are self-employed. About the only workers who

are not covered by social security are government workers. Employees of the federal government have a federal retirement system. State and local government employees in many states have their own retirement or pension system. However, many state and local government employees are included under the social security program.

5. Answers will vary. You as a student can start estate planning while still in high school by learning how to handle money and by considering the types of insurance and investments described in this general business course. You can take a first step in estate planning by obtaining a social security number. When you open a checking or a savings account you are taking action on estate planning. As you start your working career, you will probably want to protect your earning potential and protect yourself against risk by buying insurance. Later you may want to invest some of your money by buying bonds or stocks. Carefull planning for the use of your financial resources will help you improve your economic well-being.

Other Sources of Information

Careers in Insurance
Insurance Information Institute
110 William Street
New York, NY 10038 (Free)

Understanding Our Health Insurance, 1962
Dept. W
Health Insurance Institute
277 Park Avenue
New York, NY 10017 (free)

What About Car Insurance, #480
Publications Distribution Center
P.O. Box 231
College of Agriculture and Environmental Science
New Brunswick, NJ 08903 (5¢ per copy)

Ohio Consumers Guide to Auto Insurance
Ohio Consumers Guide to Health Insurance
Ohio Consumers Guide to Life Insurance
Department of Insurance
State of Ohio

If Anything Happened to Me: A Unit on Life Insurance
Health Insurance to Fit Your Needs
Grolier Educational Corporation
845 Third Ave.
New York, NY 10022

Every Ten Minutes, Auto Insurance
Insurance Information Institute
110 William Street
New York, NY 10038

Ohio Insurance Institute
620 East Broad Street
Columbus, Ohio
228-1593

American Mutual Insurance Alliance
200 North Walker Drive
Chicago, Illinois 60606

Write for information on a career as a property and casualty actuary:
Casualty Actuarial Society
200 East 42nd Street
New York, NY 10017

Who Says a Good Insurance Job Has to be Dull
National Association of Insurance Women
4848 South Peoria
Ben Crawley Building, Suite 202
Tulsa, Oklahoma 74105

It's Up to You, A guide to career in life and health insurance
A Life Career
Institute of Insurance
277 Park Avenue
New York, NY 10017 (free)

SAVING AND INVESTING

UNIT 9

The establishment of a personal money management program is incomplete without a consideration of savings and investments. Thrift may be practiced for years, but the results may be negligible if the savings have not been invested properly. Every year thousands of people who have saved from meager incomes have seen their savings swept away as a result of unwise investments.

The objectives are to:

(1) Understand why a personal savings program should be started early in life.

(2) Identify the means available to youth of high school age for making systematic savings and investments.

(3) Understand the investment features of stocks and bonds.

(4) Understand the problems involved when home owership is made a part of the investment program.

Part 36

PLANNING YOUR SAVINGS

UNIT 9

Learning Goals

1. Understand that savings are needed to take advantage of opportunities that otherwise would be lost.

2. Show why safety is the first item of importance in planning a savings program and that the rate of income and the availability of the savings are factors of secondary importance.

3. Be able to show mathematically the rapidity with which regular savings deposited at interest grow.

Suggested Teaching Procedures

1. This part is devoted to the study of fundamental principles to be considered in planning a savings program. These principles relate to the safety of the principal, the rate of return, and the availability of the investment. A satisfactory savings program will include a reasonable balance among these three characteristics so that the average of the investments will represent reasonable security and a reasonable return, with at least a part of the invested funds immediately available.

   To the average person, safety is the Sine Qua Non of good investment. To him a high rate of return and reasonable availability are desirable, but safety is absolutely essential.

   Not everyone requires the same degree of safety in investments. This fact should be given special emphasis. The fact that an investment is satisfactory for a person of wealth does not mean that it is satisfactory for a person of limited means. A wealthy person investing in many different things can afford to take chances that should not be taken by a poorer person.

   If the former loses an occasional investment, the losses may be more than offset by the high returns obtained from the others. On the other hand, a person of limited means who loses an investment may lose all of practically all of his savings. The average person should consider the rate of return only after the degree of safety of the investment has been decided upon.

   It is not necessary that a person have all his funds in investments that can be turned into cash immediately, but at least a part of his funds should be available immediately to take care of any emergency. Otherwise, at a time of emergency, he may have to sell property at a loss in order to obtain needed money.

2. Have students list personal reasons for saving. Students should understand that a savings program should be started early in life.

3. Impress students with the fact that regular savings are necessary in order to obtain the goal of a savings program. Students should appreciate the fact that by making regular deposits the Habit of savings will be developed. In this connection illustrate how an investment in life insurance may be used to establish the habit of making regular savings.

4. Check the ability of the students to read the table of savings on page 425 in the textbook. It may be necessary to interpret the table for the students. They must be able to read this table in order to solve most of the Solving Business Problems in this part.

5. Solving Business Problems in this part emphasizes the rapidity with which savings increase even when they are invested at a relatively low rate of interest. It is important for students to understand the value of making regular savings at compound interest for the purpose of accumulating money.

   Transparency Master 36-1 illustrates the growth of savings at various rates. Data is provided at the bottom of the master so that the student can identify exact amounts. This also provides the teacher an opportunity to teach basic concepts of graph interpretation. Transparency Master 36-2 can be used at any point in this unit to supplement the material on saving.

6. Discuss this statement: When you put a dollar in a savings account at a bank you are helping business.

7. The most important investment a young person can make is in himself. Have each student write a paper explaining what it means for a person to invest in himself.

8. Have students create characters that would fit the following:

   a. person that saved his first penny earned.
   b. playboy type--carefree
   c. head of household--follows budget closely.
   d. retired person.

   Then arrange for a panel discussion on "How Investors Differ."

9. Have students interview people from the following institution:

   Bank
   Savings and Loan Association
   Credit Union

   The report to the class should contain the following information:

   1. advice for beginning investors
   2. basic interest rates paid on savings accounts
   3. duties and responsibilities of persons interviewed

10. Have committee of students clip newspaper advertisements from Columbus Dispatch concerning saving accounts interest rates. Have the students make a bulletin board display using the advertisements.

Other sources of information:

1. U.S. Savings and Loan League
   221 N. LaSalle St.
   Chicago, ILS 60604

   "Harvey Dilemma" --Film

2. Regional Center IV
   Fulton School

   "Money Tree" --Film
   228-8046

Improving Your Business Vocabulary, page 429

1. saving
2. investing
3. investment
4. semiannual
5. compound interest
6. liquid investment

Understanding What You Read, page 429

1. a. A high school girl or boy might save for such things as a vacation or camping trip, a camera, or post-high school education.
   b. The head of family might save for many reasons, such as: the purchase of a new car or household equipment; the purchase of a new home; the education of the children; income during retirement.

2. This statement means that Wally Kirkland has $1,000 that he would like to place in a savings account, in stocks or bonds, or in other property so that his money would earn an income for him.

3. When savings are put to work to earn an income, they become investments.

4. Semiannual payments of interest are better for the investor than annual payments because the investor receives interest earlier. The interest can then be invested and it will earn additional income.

5. If you wait to make an investment until you have saved $156, you will obtain no interest while the sum is being accumulated. You should make a regular deposit each week in one of the several financial institution which enable a person to invest funds as soon as they have been saved. These institutions accept deposits as the depositor wishes to make them, and they pay interest at regular intervals.

6. In some instances an investment that pays a high rate of interest may be safer than an investment that pays a lower rate of interest. When you invest, however, you should remember that ordinarily the higher the rate of interest offered, the greater the risk of loss.

7. If Bruce Nathans leaves his money in the savings account, he has the assurance that his money will earn 5% interest, that it will be safe, and that it will be available whenever he may desire to withdraw it. Leaving his money in the savings account does have the disadvantage of earning only a low rate of interest.

   The higher rate of interest offered by John Thurgood does offer an advantage over the low rate of interest offered by the savings bank. There is, however, the danger that later Mr. Thurgood may be unable to repay the interest or the amount borrowed. It is probable, also, that the money could not be obtained from Mr. Thurgood at any time it might be needed.

8. Although a low rate of interest is ordinarily associated with safety of an investment, there is no guarantee.

9. Of this group only (b), a deposit in a bank, is a liquid investment.

10. $1,555.03 total accumulated savings.

Applying Your Business Knowledge, page 430

1. By putting her cash in the bank, Sandy will earn money on her investment. In addition, her investment will be insured up to $40,000. It is possible that someone could steal the safe.

2. Yes. Since Donna's mother is giving Donna $10 for every $100 saved, her savings are earning an income. However, Donna's money might earn her even more income if she placed her savings in a financial institution. Her money would also be much safer.

3. No. Mr. Chapman's limited means make it essential that each of his investments be safe. Mr. Brokaw can afford to take greater chances. Of course, the investment may be satisfactory, but the fact that Mr. Brokaw considers it satisfactory for him does not mean that it is satisfactory for Mr. Chapman.
4. No. This is more of a speculation than an investment. Even if Jeanne's judgement regarding the value of the paintings is good, she should not have her funds tied up in property of this kind. It might be extremely difficult, if not impossible, for her to sell the paintings at a favorable price at a time when additional funds were needed.

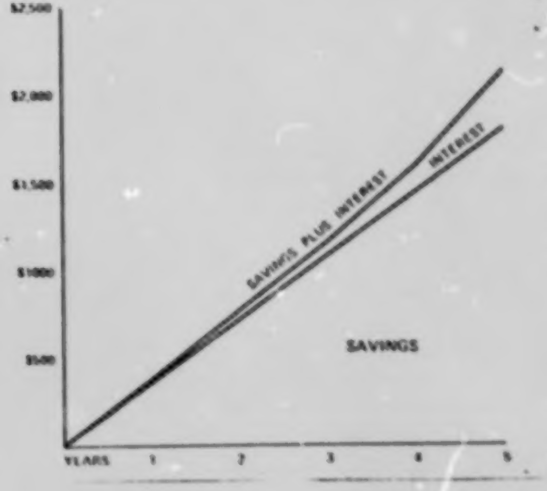
5. Mr. Reibling may have had difficulty obtaining money at 5% because of a poor credit rating. The use he planned to make of the $1,000 may have involved a high degree of risk.

Enriching Your Business Understanding, page 432

1. a. Yes.
   b. It is fair for you to receive interest because the savings bank may loan your money to a customer, who in turn will pay interest to the bank. The customer is also benefited, because with your money which he obtains through the bank he may be able to buy something, such as a home, that he could not otherwise have.

2. The business may find it profitable to borrow $100,000 even though it has to pay $120,000 of interest over a period of 20 years. The money borrowed may be invested in merchandise of equipment, or in some other manner, so that it will earn the business considerably more thatn $6,000 a year.

3. Savings and interest for an investment of $30 a month for five years at 5%:



4. If everyone bought only the bare necessities and saved all the rest of his income, business would come to a standstill and many people would lose their jobs. On the other hand, if everyone spent everything he earned, few people would have enough money to buy such things as houses, automobiles, and refrigerators. Also, if no one saved anything, there would be no sources from which one might borrow to buy these things. It is desirable, therefore, for each person to save for his own needs.

What he saves may be spent later, or it may be invested in a business where it will provide additional jobs for workers, or it may be placed in a savings bank, a savings and loan association, or some similar organization where it will provide funds for those who need to borrow.

5. Although the interest paid was much more than the original investment, the investment could not be considered to be very good. The return was only $37.50 a year ($1,500÷ 40) or 3.75%, and many safe investments pay more.

6. a. This young couple is tying all of their savings up in a home and have not provided for any emergencies. While a home is an investment, it lacks liquidity. Usually a home, however, would be a safe investment and provide a chance for its value to increase over the years.
   b. The doctor probably already has adequate savings that he can draw on. He should be more concerned about investing money where he can make a higher return. He might invest where his funds need not be highly liquid or quite as safe so that a higher rate of return could be earned.
   c. This person has unwisely disregarded safety and liquidity. The painting may be lost, stolen, or easily damaged. It may also be difficult for him to sell the painting quickly should he need the funds. His emphasis is on a high rate of return. Furthermore, the painting may not be worth the price he paid for it.

Part 37

USING A SAVINGS ACCOUNT

Learning Goals

1. Understand that regular and systematic saving is encouraged by various private and cooperative associations.

2. Identify the advantages and the disadvantages of saving by means of accounts in banks, savings and loan associations, and credit unions.

3. Understand that commercial banks, savings banks, savings and loan associations, and credit unions provide a valuable means of saving for a person with only small amounts to invest.

Suggested Teaching Procedures

1. Savings accounts provide an important means of investing funds for people with only saml1 amounts to invest because this means of investing is open to everyone and offers a high degree of safety, a high degree of availability, and a reasonable return. Important points to emphasize in this part are:

   a. The differences and similarities in opening and using a savings account and a checking account. Point out that checks may not be written on savings accounts but that interest is paid on amounts deposited in savings accounts.
   b. The differences between a commercial bank and a savings bank. There are no stockholders in a savings bank; therefore, the earnings are paid out only to the depositors in the form of interest credited to their accounts.
   c. Savings and loan associations, sometimes called building and loan associations, exist for two major reasons.
      1. To make loans to individuals who wish to build or buy homes.
      2. To encourage saving and investing. In this part, emphasis should be given to the advantages and to disadvantages of the savings and loan association as a means of investment.
   d. Credit unions are cooperative associations organized primarily for the purpose of loaning money to members of the association. However, they also provide an opportunity for their members

to invest small amounts. The safety of the investment depends to a considerable extent upon the skill of those entrusted with the management of the credit union. Transparency Master 37-2 illustrates the growth of credit unions.

2. Avoid, insofar as possible, any detailed discussion of the organization and management of the different types of associations covered in this part. The major purpose of this unit is to emphasize the sources available for regular savings. Transparency Master 37-1 illustrates the relative amounts saved in various types of institutions.

3. Raise the question: Why is a savings account a good first investment?

4. Enlist the help of students in preparing a list of institutions in the local school area that accept savings.

5. Have students obtain savings account deposit and withdrawal slips from the institutions named in activity 4. Fill out the slips in class.

6. Prepare a bulletin board display of savings-account instruments. The display should include forms such as signature card, passbook, deposit and withdrawal slips.

7. Arrange for a field trip to any of the following bank home offices:

   City National Bank
   Ohio National Bank
   Huntington National Bank

8. Pick up information on credit unions at Columbus Ohio Teachers Federal Credit Union at 399 E. Livingston Avenue, phone number is 221-9376.

Improving Your Business Vocabulary, page 439

1. financial institution
2. certificate of deposit
3. Federal Savings and Loan Insurance Corporation

Understanding What You Read, page 439

1. Four financial institutions in which a person may open a savings account: (1) commercial bank, (2) mutual savings bank, (3) savings and loan association, (4) credit union.

2. To open a savings account, a person fills out a signature card, makes a deposit, and receives a savings passbook.

3. To withdraw money from a savings account, a depositor fills out a withdrawal slip and gives the form and the savings passbook to the bank clerk.

4. In order to earn a higher rate of interest in a special savings account, the depositor must accept the following rules:

    1. A fixed minimum, or any amount above that minimum, must be deposited. This amount may be $250, $500, $1,000, or more.
    2. The money must be left on deposit for a certain period of time. This period varies from three months to four years or more.
    3. If the money is withdrawn before the stated time, much of the interest is lost.

5. Commercial banks usually offer many more services than other financial institutions offer, such as providing safe-deposit boxes; selling savings bonds, traveler's checks, and money orders; offering Christmas and vacation club accounts; making loans; and offering checking accounts.

6. Savings and loan associations are organized for two purposes: first, they assist investors in saving and investing; second, they make it easier for individuals to borrow funds.

7. Investing and borrowing are the two main services of credit unions.

8. Factors that should be considered in choosing a place to invest are:

    1. The amount of interest (or dividend) that can be earned.
    2. How often the interest is compounded.
    3. Services offered by the institution.
    4. Location of the institution.
    5. Hours of operation of the institution.

9. Five advantages of savings accounts are:

    1. Deposits can be made conveniently.
    2. Small deposits are accepted.
    3. Deposits may be withdrawn at any time.
    4. Interest and dividends paid are reasonable.
    5. A great degree of safety is assured.

10. Most banks and savings and loan associations insure deposits up to $40,000.

Applying Your Business Knowledge, page 439

1. Savings accounts are especially good for students because:

   1. Deposits can be made conveniently.
   2. Small amounts are accepted.
   3. Interest and dividends paid are reasonable.
   4. Deposits may be withdrawn at any time.

   In addition, a great degree of safety is assured.

2. Higher rates of interest are paid on special savings accounts because:

   1. Special savings accounts usually require a minimum deposit, such as $250, $500, or $1,000. The cost to the bank of handling the account is less per dollar than is the cost of handling a small account.
   2. Special savings must be left on deposit for no less than an agreed time such as 3 months, 6 months, or a year. This insures that the bank will have the use of the money long enough so that it can make favorable loans.

3. and 4. The answers to questions 3 and 4 will depend on the community in which the student lives. It would probably be good to have students obtain answers to these questions and report their their answers to the class.

5. a. Anyone can invest in a savings and loan association. Savings and loan associations do lend money to people who wish to build or buy a home.
   b. Members of the credit union elect their directors (those who will run the credit union). Credit unions are not labor unions.
   c. Savings banks, savings and loan associations, and credit unions are allowed by law to pay a slightly higher interest rate than commercial banks.

6. It could be due to a lack of competition among financial institutions or from other investing companies. It could be that the 5 percent rate is higher than other financial institutions are paying. Or it could be that borrowers are in short supply but there are many depositors.

Enriching Your Business Understanding, page 442

1. A person may have his savings account at the most

convenient place, or at a place where he is acquainted or thinks he gets the best service. But a person should be aware of differences in interest rates, for with very little trouble he may be able to get a higher rate than he has been getting.

2. The rule was established because there is always a possibility that a large number of depositors will want to withdraw their money at the same time. The association might need a number of days to obtain the necessary cash.

   It is probable that a large number of depositors have never wanted to withdraw their savings from this association at the same time and that there has been no need to enforce the rule.

3. Almost all of our business transactions in some way affect accounts in banks and therefore a sound banking system is essential. Furthermore, individual depositors have little chance to investigate the soundness of banks and of savings and loan associations and therefore need the protection of insurance. The insurance is valuable to the banks and the savings and loan associations as it gives depositors confidence and lessens withdrawals when there are rumors that a bank or a savings and loan association may be having financial difficulty.

4. Commercial banks offer many more services than other financial institutions and many people prefer to do all of their banking at one place.

Part 38

INVESTING IN STOCKS AND BONDS

Learning Goals

1. Understand that the federal government encourages individuals to make regular and systematic savings by means of United States savings bonds.

2. Illustrate that an individual who purchases a bond is really making a loan.

3. Describe how a business may secure needed funds by selling bonds or issuing stock.

4. Identify the basic differences between a bond and a share of stock.

5. Understand why individuals invest in bonds and stocks as part of their savings programs.

6. Understand what an investment club is and appreciate the advantages of investing with others through an investment club.

7. Understand what mutual funds are and that they have a number of advantages for investors, but that the investors pay for the services provided.

Suggested Teaching Procedures

1. Perhaps the most important governmental means of savings available to the investor of small amounts is United States savings bonds. An outstanding advantage of this means of savings is safety. The full credit of the United States government is pledged for payment of both principal and interest on United States savings bonds. Students should realize that when they save by this means, they are taking an active part in promoting the general welfare of the country.

2. The student should understand that a bond need not be held until maturity but that when a bond is redeemed after being held for only a short period of time, the annual interest rate will be less.

3. In order to encourage bondholders to hold Series E bonds after they mature, the government at present pays interest on both the principal and the interest accumulated to maturity to those who keep the bonds after maturity. A table of redemption values for extended Series E is issued by the Treasury Department.

4. The two most important sources of funds for private business are bonds and stocks. It should be stressed that the purchase of a bond by an investor places him in a creditor position. In reality, he has loaned his savings to a business in the same manner that an individual loans money to the government through the purchase of a savings bond. However, there is a greater degree of risk associated with the purchase of a bond issued by a business, for it is possible that a business may fail.

   In contrast to a bond, a share of stock represents ownership in a business.

5. It is not the purpose of an introductory course to delve into the theoretical aspects of classes of stock. However, a student should be able to distinguish broadly between the two main classes of stock (preferred and common).

6. Groups of students may wish to select a stock listed on one of the exchanges and trace its activity by means of the daily stock market quotations. In such a manner, the student will be more able to understand the various symbols and abbreviations used on the financial page.

7. If possible, a stock certificate and a bond may be brought to class so that the students can see them and can read and discuss the information given on each form. This will help students to understand that a stock certificate represents ownership, but that a bond is similar to a promissory note that may or may not be secured by a mortgage on certain property.

8. Transparency Master 38-1 illustrates a coupon bond. Coupon bonds are not formally discussed in the text, but the teacher should use the transparency to show the student how coupons are clipped and cashed.

9. A field trip to an exchange, if one is located in your community, would be of great interest to the class. Also, much resource material for use in the classroom is available from the various exchanges and brokers. Whether a field trip possible or not,

use Transparency Master 38-2 in discussing how transactions take place at a stock exchange.

10. If additional information about investment clubs is desired, it may be obtained from the National Association of Investment Clubs, 1515 East Eleven Mile Road, Royal Oak, MI 48067. This association is a nonprofit organization by and for the benefit of its members. It is glad to cooperate with schools that wish to give instruction about investment clubs to their students.

11. It is possible that an investment club is located in your community. If you can learn of such a club, you may be able to get a member of the club to speak to your class on why the club was formed, how it is operated, and what benefits have been obtained from it.

12. It may also be desirable to have a representative of a mutual fund explain to the class the various kinds of funds and the advantages to be gained from them. If you do not know of such a representative, it is probable that your local bank will be able to tell you of one.

13. Each mutual fund publishes an elaborate annual statement giving information about the fund and its investment experience in the previous years. Such statement may be obtained from representatives of the funds or by writing to the funds themselves. All students may be interested in briefly examining the statements. Also, a committee of students may be asked to report in detail on the information in one of the annual statements.

14. Emphasize that both investment clubs and mutual funds:

    a. Provide a diversification of investments and thus avoid a serious loss as a result of one error in judgment.

    b. Are recommended for long-term investment programs. Neither is recommended for an investment program of only a few months.

15. Invite a stockbroker or a representative from the U.S. Savings Bond Division to class to speak. (phone numbers are listed in the sources of information). Speech should include education, training, duties, responsibilities, and salary. Leave time for a question and answer session at the conclusion of the speech.

16. Have students clip headlines from the business section of the Columbus Dispatch or Citizen Journal and prepare a bulletin board display.

17. Have your students contribute a small sum of money and buy some shares of a local stock. (Twenty-five dollars can buy three of four shares of local stock). Have the students chart the stocks activity on a wall poster.

Improving Your Business Vocabulary, page 451

1. securities
2. bond
3. face value
4. stock certificate
5. market value
6. common stock
7. preferred stock
8. broker
9. exchange
10. commission
11. investment club
12. mutual fund or investment company

Understanding What You Read, page 452

1. Businesses and other organizations sell bonds when they need to raise large sums of money for some special reason.

2. Most banks and savings and loan associations sell Series E bonds.

3. A $25 Series E savings bond costs $18.75. The difference between the purchase price and the face value is the interest.

4. When investing in bonds, one lends money. When investing in stocks, one buys ownership in a firm.

5. Common stock might pay more dividends than preferred stock when the profits of a company are large.

6. Closed at 40 3/4 means that the last price at which a sale was made during the day was at $40.75 a share.

7. In a Monthly Investment Plan, small amounts of money can be invested on a regular basis.

8. In an investment club, the members select the stocks to be purchased.

9. Advantages of a mutual fund:

   a. Securities of hundreds of different companies are purchased.
   b. Stocks are picked by highly skilled experts.
   c. Small amounts can be invested at one time.

Other sources of information:

1. The Ohio Company--phone number 464-6811
2. Merrill, Lynch, Pierce, Fenner & Smith Inc.--
   phone number 225-3000
3. Paine, Webber, Jackson & Curtis Inc.--phone
   number 228-3221
4. New York Stock Exchange, Inc., 11 Wall Street,
   New York, NY 10005

   "You and the Investment World" - Free
   "Understanding Financial Statements" - Free
   "The Language of Investing" - Free
   "Portfolio of Teaching Aids" - Free

5. American Stock Exchange, Education Services Dept.,
   86 Trinity Place, New York, NY 10006

   "Journey through a Stock Exchange" - Free
   "Market for Millions" - Free
   "Nerve Crator" - Free

6. Dow Jones and Company, Inc., Educational Service
   Bureau, P.O. Box 30, Princeton, NJ 08540
   Free Materials Available

7. Modern Talking Picture, 45 Rockefellers Plaza,
   New York, NY 10020--phone number 212-765-3100

   "Market in Motion" - New York Stock Exchange film

8. U.S. Savings Bond Division, 500-I Federal Office
   Building, 85 Marconi Boulevard, Columbus, OH 43215
   phone number 469-7430

   "U.S. Savings Bond Learning Packet" - Free

Applying Your Business Knowledge, page 452

1. Bonds are similar to promissory notes in that both are promises to pay a definite amount of money with interest at a specified time.

2. The government pays a higher interest rate to those who hold their bonds to maturity to discourage them from cashing their bonds at an earlier date.

3. Government bonds usually pay a lower rate of interest than corporate bonds because government bonds are usually safer investments.

4. Company C, because bonds are usually issued by companies that need to borrow a large amount of money-more than they can get from one source.

5. Even though stocks are not as safe as savings accounts or bonds, many people buy stock because of the chance to make a high rate of return.

6. It is expected that the club will make its purchases through the broker who helped it to organize. Also, if club members want to make additional individual purchases, they will likely deal through this same broker.

7. A growth fund buys only the stock of young, fast growing companies. An income fund buys only securities that pay regular dividends.

8. If a company goes out of business, you may get little or nothing back from your investment. Therefore, Sally Thompson may lose all her investment.

9. The broker will probably tell Kurt Iverson that no one investment can give the highest possible return and still be very safe and liquid.

10. No. The market value of stock now equals what Tina Smith paid for it-$107 plus the $7 brokerage fee equals the market value of the stock.

Enriching Your Business Understanding, page 454

1. Interest rates on other investments increased so that a higher rate than 3 percent had to be offered on Series E savings bonds to make them attractive to investors.

2. A drop in the market price of a stock from $110 a share to $85 certainly indicates that now investors are not willing to pay as much for the stock as they were formerly. But this does not mean that the

company is likely to fail or that it is not a good investment. The stock may never have been worth $110 but may have been bid up in price by overenthusiastic investors. A decrease from $110 to $85 may be a reasonable correction in the market price. Or general business conditions may have caused all stocks to decrease in price, and they may be expected to increase in the future. Although this stock may or may not be a good investment now, it is obvious that it is now a better investment than it was a few weeks ago when it was selling at $110.

3. a. A registered bond is a bond that has the owner's name entered in the borrower's records. A coupon bond is a bond that has a series of coupons attached to it, representing a semiannual interest payment due on a specified date. The bondholder collects interest by clipping each coupon just before it is due and depositing it with a bank for collection.
   b. A callable bond is one that permits the company to pay off the bond before its stated time period is up. A convertible bond is a bond that allows the owner to convert it to stock whenever he feels it will be to his advantage financially.
   c. Par is the face value assigned to a share of stock. No-par is stock that has no stated face value.
   d. Cumulative preferred stock is stock that gives the owner the right to collect dividends for past years when dividends might not have declared at all. Noncumulative preferred stock does not this right of payment for past years.
   e. A load fund is one that adds a sales commission to the sales price of its stock. A no-load fund is one that adds no sales commission to the sales price of its stock.

4. The National Association of Investment Clubs, 1515 East Eleven Mile Road, Royal Oak, MI 48067, publishes the Investors Manual, which gives detailed information about how to organize and operate an investment club. It also describes the various items that are available to aid in stock evaluation and in keeping club records.

5. Answers to part (a) will depend on the newspaper selected and the particular day. The bid price is the price at which the fund will buy its own stock. The asked price is the price at which the fund will sell its stock.

Part 39

INVESTING IN REAL ESTATE

Learning Goals

1. Determine the factors to be considered in making a decision as to whether it is more advantageous to own a home than it is to rent.

2. Develop the ability to calculate the cost of home ownership.

3. Recognize the economic risks involved in making an investment in home ownership.

Suggested Teaching Procedures

1. Investing in a home merits consideration in this unit because almost every family at some time considers this form of investment. In this part considerable attention is given to the costs of owning a home, such as taxes, insurance, upkeep, depreciation, and interest. Attention to these subjects is justified because many people have attempted to purchase more expensive homes than they could afford. As a result they have been unable to purchase other things that they needed, and in many instances they have even lost the first payment that they made upon their homes. Buying a home is ordinarily a desirable investment, but the amount invested in this way should always be reasonable and should not require the use of an excessively large portion of the monthly income. Of course, there are advantages and disadvantages in owning a home that have nothing to do with cost; nevertheless cost is such an important item that special attention should be given to it.

2. Emphasize that an investment in home ownership, like other forms of investment, involves an economic risk.

3. Transparency Master 39-1 gives students a realistic idea of the monthly payments involved in mortgages at various rates of interest. Use Transparency Master 39-2 to illustrate the kings of local services made possible by taxes on a home.

Improving Your Business Vocabulary, page 461

1. real estate
2. assessed value
3. upkeep
4. condominium
5. appraiser

Understanding What You Read, page 462

1. When a family owns its own home, it can make additions or improvements as it wishes. Purchasing a home provides many people with a sense of economic security and provides a definite plan for saving. When a family rents an apartment, it is free to move whenever it wishes and can do so with little expense. Renting also makes it easier for a person to keep funds available for immediate use whenever they are needed. Renting is sometimes cheaper than owning a home.

2. Owners of mobile homes and of houses have pride of ownership and freedom to remodel or improve. They also both have a feeling of security.

3. In addition to the original investment, taxes, insurance, upkeep, and interest must be included in the cost of owning a home.

4. The average cost of taxes on a home is about 3 percent of the value of the property.

5. You can find out the local tax rate from town or county officials.

6. The amount charged for insurance is influenced by the value of a house, the material from which the house in relation to other buildings, and the quality of the local fire protection.

7. The annual costs of upkeep generally average about 2 percent of the value of the house.

8. Larger. The amount of the monthly payment will vary according to how quickly the loan is to be repaid. If it is to be repaid completely in five years, the monthly payment will be much larger than if it is to be repaid in ten years.

9. A condominium is an individually owned unit of an apartment-like building or complex, whereas in home ownership the living space is confined to a separate building and the lawn becomes the responsibility of the owner. Upkeep is done by the owner of a home but not the owner of a condominium.

10. A lawyer and a appraiser are need to assist in a home purchase.

Applying Your Business Knowledge, page 462

1. No. Total annual upkeep should average about 2 percent of the value of the house. Since Mr. Pound's house cost $24,000, he should set aside about $480 for upkeep yearly.

2. For retired people, having upkeep performed by someone else is an especially good feature.

3. Caring for your home and encouraging the general upkeep of the entire neighborhood help to increase the value of property.

4. A potential home buyer needs an appraiser's report in order to find out the current market value of the property and to identify construction strengths and weaknesses.

Enriching Your Business Understanding, page 463

1. The change in the tax rate may make no immediate difference to the Perez family, but higher taxes may eventually result in higher rent. Also, if the merchants have to pay higher taxes, their costs will increase. They may have to increase the prices they charge for their goods.

2. With higher prices and increased demands for services, the expenses of all cities are constantly rising. Unless,the assessed valuation of taxable property increases equally, the tax rate has to be raised or new sources of taxation have to be found, or both.

3. A cooperative is ownership in an apartment-like building or complex also. Unlike a condominium, however, the owner buys shares with others in the nonprofit organization which holds title to the property. This ownership entitles one to living space, usually an apartment. In condominiums, people may buy and sell their own apartments freely; whereas with cooperatives, owners must get approval of other shareholders. The condominium is much closer to true ownership than is a cooperative.

4. a. On the average, down payments on conventional mortgages vary from 20 to 33 percent. It is much less for FHA and VA mortgages. Answers to b,c, and d will vary with the community, the lending institution, the amount of the loan, and the mortgage market.

5. Title insurance guarantees to the policyholder that if the title to real estate is defective, the cost of clearing the title will be paid by the insurer. Or if the title cannot be cleared, the insurer will pay the amount of the loss to the buyer. The insurance is relatively inexpensive and usually recommended. The cost of such insurance is paid in full usually at the time a policy is bought.

MOVING IDEAS, GOODS, AND PEOPLE

Unit 10

The primary purpose of this unit is to give students an understanding of the importance of modern communication, transportation, and travel to our economy and to the enrichment of our personal lives. Students are already acquainted with some of the services that communication, transportation, and travel industries provide. Considerable attention is placed on the importance of these industries in our economy. Attention is also given to new trends and developments in these three service industries.

The unit emphasizes the means of communication used by the average individual in handling personal and business affairs. The unit stresses the value of an efficient transportation system for a free-market economy. It also reviews the individual's use of mail, express, and freight services and the importance of selecting the most efficient service available for the type of goods being transported.

The travel industry is experiencing phenomenal growth since Americans are traveling more than ever before. Students should become acquainted with the various means of travel, the accommodations available, and the factors that should be considered when formulating one's travel plans.

The objectives are to:

1. Develop an appreciation for the contributions of the communication, transportation, and travel industries to our economy.

2. Become acquainted with the nature and the different types of transportation services available.

3. Develop the ability to make the most efficient use of these industries.

Part 40

COMMUNICATION AND TRANSPORTATION

Learning Goals

1. Appreciate the contributions of communication and transportation to our economy and to our life-style.

2. Recognize that our modern methods of communication, transportation, and travel make possible geographic specialization and division of labor.

3. Understand why travel services are important both to the economy and to individuals.

Suggested Teaching Procedures

This part is designed to give the student a general understanding of the importance of as well as the contributions of communication, travel, and transportation to our economy. It also suggests that our lives are made more meaningful through the contributions of modern communication, travel, and transportation.

1. Encourage the students to consider the communication and transportation systems of 100 years ago and the difficulties that would be experienced today if we found it necessary to rely on the older system. Have students identify the kinds of industries and jobs that would not exist today if we depended on communication and transportation services of 100 years ago. Students may also be startled to learn that most of the communication services they take for granted today did not even exist 100 years ago.

2. Be sure that the students understand the difference between transportation and travel. Transportation as used here refers primarily to the movement of goods, whereas travel refers to the movement of people either for business or for pleasure. Encourage students to give attention to and discuss how travel has changed over the last century and how improved travel facilities have affected our style of living. Point out industries that are dependent upon tourism and business travel.

3. A good panel discussion or debate could result from the following statements:

   "Mass transit facilities should replace automobiles in our cities."

   "Improved travel facilities result from public demand for them."

4. The teacher should explain that Solving Business Problems are designed to give the student some awareness of the extent of the contributions of the communication, transportation, and travel industries to the American economy, as well as an opportunity to work with larger numbers. The development of this computational skill is important in an age of millions of pounds of rocket thrust, billions of dollars in the government budget, and milliseconds of time in computer calculations.

5. The transparency masters for this part relate to some recent developments in communication and transportation. As Transparency Master 40-1 shows, international travel has brought about a need for internationally understood travelers' symbols. And Transparency Master 40-2 shows how communication satellites are being used to create nationwide computer networks.

Improving Your Business Vocabulary, page 474

1. communication
2. transportation
3. travel
4. mass transit facility

Understanding What You Read, page 474

1. Methods of communication commonly used today include mail, telephone, telegraph, television, radio, and satellite.

2. The various means of communication allow businesses to keep in contact with suppliers, customers, and personnel. Specialized communication systems are used by policy forces, newspapers, stock exchanges, and hotel chains.

3. Our modern economic system is dependent upon rapid, efficient transportation of people, raw materials, and merchandise. Mass production could not exist without a good transportation system. Transportation extends a firm's market area. Transportation allows all of us to enjoy a higher style of living by enabling us to buy products grown or made elsewhere in this country or in other countries and by making goods available at lower prices.

4. Mass production is dependent upon a good transportation system to supply the vast amounts and varieties of raw materials required in production, as well as to market the large quantities of goods produced.

5. Different regions of our country and different businesses can specialize in producing certain products because transportation allows them to ship the finished products throughout the United States and supply the entire nation from their one location.

6. Transportation allows us to enjoy a higher style of living because it enables us to use and enjoy products grown or made elsewhere in this country or in other countries. These products would not be available to us without transportation. Transportation can result in lower prices for the goods we buy because all regions of the world can specialize in producing goods that their resources enable them to produce most efficiently.

7. Business people travel frequently to carry out the business of firms in all parts of this country and the world. Salespeople especially are dependent on travel services in the performance of their jobs. And almost every employed person must travel at least a short distance every day in going to and from work.

8. Two important reasons for the growth of travel are increases in personal and family incomes and growing leisure time. The advertising campaigns of travel companies and low-cost or credit arrangements for vacation trips have also contributed to the growth of travel.

9. Problems that our nation faces as a result of the growing demand for travel services are: overcrowded highways; smog and air pollution; the urgent need in metropolitan areas for mass transit facilities; congested airport facilities and the need for additional airports to handle the current and future volume of air traffic more safely and efficiently.

10. Some cities have built mass transit facilities to encourage people to leave their cars at home during working hours. Mass transit also benefits elderly people and those who have no cars.

Applying Your Business Knowledge, page 475

1. Typical answers are:

   (a) Department store: telephone--customer order for merchandise; television--advertisement of special sale; radio--emergency store closing, sale advertising.

   (b) Police department: telephone--call from citizen in need of assistance; television--alert people to special needs for protection; radio--broadcast traffic conditions, communication between police officers and headquarters.

(c) Large daily newspaper: telephone--receive news stories from reporters; television--news tips; radio--radio telephone in reporters' cars.

2. News of events in other states and countries comes by radio, television, and satellite.

3. Communication services. Students will probably include the following as examples: telephone services, telegraph services, mobile radio systems, communications consultants. Transportation services. Students will probably include some of the following as examples: motor freight, air freight, rail freight, light delivery for furniture or appliances.

4. (a) By individuals. Automobiles to travel to and from work, shopping, school, vacation; trucks for delivery of merchandise from stores or to transport household belongings if moving; public bus service; air flights for visiting friends or relatives or vacationing; railroads for commuting to and from work (limited); railway express, parcel post, trucking companies for shipment or delivery of packages and larger items; ships for sending some packages overseas and perhaps some cruises.

   (b) By business firms. Airplanes or air flights for business people to make business contacts or for travel between branch plants; cars for salespeople or other business personnel who must travel; motor freight and rail freight to transport products or deliver raw materials; airplanes to handle some types of freight shipments.

   (c) By government agencies. Automobiles, airplanes, buses for travel of certain employees; trucks, railroads, and airplanes for delivery of merchandise and supplies.

5. Here are some examples of the types of answers to expect:

   (a) many food products, household items, clothing, furniture, automobiles.

   (b) cameras, automobiles, imported foods, imported clothing, dishes, radios, television sets.

Enriching Your Business Understanding, page 476

1. The Federal Communications Commission was created by the Communications Act of 1934. The Commission is responsible for regulation of radio and television broadcasting, telephone, telegraph, cable television, two-way radio and radio operators, and satellite communication.

   The Interstate Commerce Commission was created by the Interstate Commerce Act of 1887. The Commission regulates railroads, trucking companies, bus lines, freight forwarders, water carriers, oil pipelines, transportation brokers, and express agencies when these means of transportation operate in interstate or foreign commerce. It grants licenses for interstate commerce and promotes safety.

2. An up-to-date state map will show the interstate highways and the cities they connect. Students should be able to determine alternate routes without much difficulty.

3. Students should be able to cite several pros and cons, especially if this method of relieving traffic congestion has been practiced or discussed locally. Pros would include the relief of traffic congestion, relief of air pollution, and noise reduction. A main argument against this method would be inconvenience to business and individuals.

4. Such magazines as Time, Newsweek, and U.S. News and World Report carry articles about mass transit from time to time. This is a good opportunity for library research. Students should be encouraged to look for recent articles or especially articles about local or nearby mass transit systems.

Part 41

COMMUNICATING BY TELEPHONE

Learning Goals

1. Identify and be able to use the different kinds of telephone services available for personal use and for business use.

2. Identify the special telephone services available for business use.

3. Relate the use of telegraph services to personal and business life.

Suggested Teaching Procedures

1. Many people feel that since the telephone is used so often by so many people there is not much more to learn about using the telephone. However, most people are not well acquainted with the basic information ordinarily found in a good telephone directory. Be sure to have at least one and preferably several telephone directories available in the classroom. Most students will be surprised at the valuable information that it contains. Class sets may be obtained from Ohio Bell. Call 460-8230.

   Teletrainer materials, leaflets and booklets, and some motion pictures are available from most of the telephone companies for classroom use.

2. Point out that businesses are relying more and more on the personal contact that telephone conversation provides. Brochures describing such services as Call Director equipment, conference calls, Data-Phone, and WATS are available through most telephone company offices. A committee of students may be assigned to obtain brochures describing similar services available in the local area. A report should then be given to the class by the committee.

3. Encourage students to read or report on telegraphic services available to business as described by brochures made available by local telegraph offices. In addition to the telegraphic services described in the textbook, such brochures describe TWX, itemized billing, and computer dialing. The teacher may want to assign a committee to obtain this information.

4. Transparency Master 41-1 illustrates some ways that

telephone companies have suggested for customers to save money on their phone bills. Transparency Master 41-2 shows how telephone companies are saving themselves and their customers money by the Directory Assistance Plan. In localities where callers are charged for calls to Directory Assistance, it is especially important for students to learn proper use of the telephone directory.

5. To help to develop an idea of the need for communication between people, show the film "Hello, I Need to Tell You Something." This film illustrates the difficulties of interpersonal communications.

   This is available from Ohio Bell Telephone. Call 800-362-2601.

6. For use in teaching basic concepts of correct business telephone techniques, show the film "Thank You. Please Call Again."

   Call Ohio Bell Telephone, 800-362-2601.

   Materials on directory usage and information on various types of telephone services found in office situations are also covered.

7. Use the Business Phone Trainer to provide practical experience. This consists of 4 six button phones connected to a central unit. Student booklets are available and films on good business telephone usage can also be borrowed.

   Call Ohio Bell Telephone, 460-8230.

8. Invite a guest speaker from Ohio Bell Telephone to present an illustrated talk on telephone related and other subjects. To get further information call 460-8230.

9. Visit the Ohio Bell Telephone Building. Observe the different types of telephones available. Also watch a telephone operator at work. To arrange field trips, call 460-7220.

10. Show films "How to Lose Your Best Customer Without Really Trying" and "If An Elephant Answers." These films illustrate the importance of good telephone habits in business. To order call Ohio Bell, 800-362-2601.

11. Show movie "Telephone Manners." This kit includes a set of student study guides to be used after viewing the movie. Contact Janet Miller, Business Office Education, Fulton Center, 228-8046.

How to Apply for a Job

speaker: John Ford
460-7872
Ohio Bell Telephone

Improving Your Business Vocabulary, page 483

1. alphabetical directory
2. classified directory
3. person-to-person call
4. station-to-station call
5. direct distance dialing
6. collect call
7. Picturephone
8. Data-Phone
9. full-rate telegram
10. night letter

Understanding What You Read, page 483

1. Instructions on how to use the telephone can be found in the front of the alphabetical directory.

2. The names in the white pages are arranged alphabetically according to last name. The businesses in the Yellow Pages are arranged alphabetically and categorized according to the goods or services they provide.

3. The telephone book tells you which calls will be local and which will be long distance.

4. A person-to-person call is made to a particular person. Unless that person takes the call, there is no charge for the call. A station-to-station call is made to a particular phone number. As long as the caller speaks with anyone at that number, there is a charge for the call. Since a person-to-person call is a special service, the charge for person-to-person is greater than the charge for station-to-station.

5. The charges for long distance calls differ according to whether the call is made person-to-person or station-to-station, the distance of the call, the time of day the call is made, and how long the call lasts.

6. The area code for Phoenix is 602 (see Illustration 41-1, page 479 of the text).

7. Special types of telephone equipment used mostly by businesses include switchboards, card dialers, Picturephones, and Data-Phones.

8. A business might use Data-Phone service when it has a great deal of written information it wants to send very quickly. Data-Phones allow computers to communicate directly.

9. You might want to send a telegram to remember a special occasion or to get money to someone quickly.

10. The charge for a night letter is less than the charge for a full-rate telegram because the telegraph company is not busy at night when there are few business messages being sent.

Applying Your Business Knowledge, page 484

1. If your grandmother's birthday is the day after tomorrow, you could send a night letter tomorrow and it would arrive on her birthday.

2. Miami is on Eastern Time and Denver is on Mountain Time. There is a two-hour difference. When it is 3:00 in Miami it will be 1:00 in Denver. Therefore, you should place the call before 1:00.

3. (a) Mr. Romito should place a person-to-person call to the Purchasing Manager.

   (b) Mr. Romito could place a station-to-station call to the company and ask which employee is responsible for buying paper supplies.

   (c) Since he will be calling his own home, Mr. Romito could place a collect call.

4. Mr. Bernstein could send a full-rate telegram to the supply company giving the details of the correct order.

5. Andrea should call the telephone company and tell a representative of the company about her problem. It is possible that a mistake was made, and it is also possible that the call billed is the call Andrea placed. Sometimes the name the telephone company uses to refer to a particular location is not the same as the name you use.

Enriching Your Business Understanding, page 485

1. Answers may vary somewhat depending on the area and telephone company involved. However, all the information should be located in the first few pages of the alphabetical directory.

2. Again, answers will vary since different telephone companies may use different arrangements of their classi-

fied directories. Sample categories follow:

(a) Theaters
(b) Judo Instruction
(c) Airline Companies

3. Students' answers and reasons will vary; however, it would make good sense for almost any type of business to advertise in the Yellow Pages because shoppers rely on the telephone a great deal.

4. The government regulates the charges for telephone service because a telephone service is a public utility (as will be learned in Part 45). Public utilities are given special privileges, most important the privilege of having no direct competition in a particular area. In exchange for this privilege, the telephone company must submit its rates for government approval. The government must make sure that public utilities do not take advantage of their positions by charging unfair rates. Competition among businesses makes it unnecessary for government to regulate the prices of such things as food and clothing.

5. (a) A Speakerphone is a telephone which has a microphone and a speaker attached so that the person using the phone can talk and listen without holding a receiver.

   (b) A Touch-Tone telephone has pushbuttons in place of the dial. This telephone is somewhat quicker and easier to use than the dial telephone. It also has special uses in business where it can be used to send data to a computer.

   (c) A Call Director is a control unit for sending calls to particular phones, usually in a business.

   (d) A conference call, arranged by the telephone operator, allows three or more people to converse together over the telephone.

   (e) Mobile telephone service allows a telephone to be installed in an automobile or other vehicle.

   (f) WATS service allows you to place a station-to-station call without charge to a customer (usually a business) which has wide area telecommunications service.

6. (a) A radiogram is sent by radio between stations not connected by telegraph wires.

   (b) A cablegram is a telegraph message sent from one continent to another by wires contained in a cable laid on the bottom of the ocean.

   (c) A Mailgram combines telegraph and postal service.

The telegraph office sends the message by telegram to a post office near the recipient. The printed message is then delivered by first-class mail.

(d) A telegraph tie line is a direct wire between a business and a local telegraph office. A tie line is a business that sends many telegrams.

Part 42

COMMUNICATING BY LETTER

Learning Goals

1. Understand the purposes of the different types of letters that businesses write.
2. Know the six basic essentials of a good business letter.
3. Be able to identify and know the purpose of the parts of a typical business letter.
4. Be able to write and set up a business letter in an attractive style.
5. Understand how letters are produced, handled, and mailed properly.

Suggested Teaching Procedures

1. Every business letter should be clear, concise, and courteous, and should be written in a simple style. If a letter has these characteristics, it will probably accomplish the purpose for which it is intended.

   Too much emphasis has been placed upon the need for brevity in business letters. Striving for brevity has caused many writers to destroy the effectiveness of their letters by a failure to convey the message completely or to make their explanations entirely clear. Brevity is not important in a business letter, but conciseness is. A concise business letter may not be brief, but it will be as brief as is consistent with clearness and completeness.

   In a business letter courtesy is extremely important. A person reading a letter may attach much more importance to a statement than the writer intended. The writer should be extremely careful to be courteous because any slight lack of courtesy may be greatly magnified by the reader.

   A well-written letter is simple in style. Unusual phraseology which would not be used in conversation should be avoided in letter writing.

2. The success of a business letter is greatly affected by the accuracy and attractiveness of the arrangement of the letter. A consideration of letter forms is useful not

only to those who will actually enter business but also to all those who will occasionally write personal business letters.

It would be possible to present many different letter styles, but in an elementary course of this kind it is recommended that only one style for handwritten letters and one for typewritten letters be presented. The use of additional styles may cause confusion. It is recommended that the two styles discussed in this section be used and that the discussion be based exclusively upon the illustrations. Use Transparency Master 42-1 to illustrate the principles of letter style and appearamce.

3. Explain how the writer's personality is shown in the letters he writes, emphasizing the necessity for neatness, attractiveness, courtesy, and correct sentence structure.

4. Post examples of good and poor business letters. Have pupils point out both the good and the poor features of the letters, covering such points as form, arrangement, clearness, and conciseness.

5. It is important that students be able to put into practice what they have learned. Although it is good to know the parts of a letter, the student should be given ample opportunity to obtain practice in writing good business letters. The teacher is urged to have all students prepare Solving Business Problems 1 and 2 on page 495 of the textbook. Be sure that students understand that a letter must be complete, for if a single essential--such as size of garment ordered or desired color or price range--is omitted, additional correspondence and time are required to complete the matter. Evaluate letters that the students write on the basis of the six essential characteristics of the letter.

6. The purpose of helping students understand how business letters are produced and prepared for mailing in the business office is, of course, different from that of an office practice or secretarial procedures class where the matter is discussed in detail. However, students should be aware of the need to keep copies of important correspondence, as well as understand that a business letter is not an inexpensive activity of the office when one considers the dictator's time, the stenographer's time, postage, and stationery. It should also be pointed out that in order to keep costs within reason, business firms make use of labor-saving devices such as centralized dictation systems, automatic typewriters, form letters, postage meters, and other means of streamlining correspondence work in the office.

A good project is having two or three committees of one or two students each visit different offices and give brief reports on the methods and equipment used to produce and handle mail.

7. Transparency Master 42-2 will be of help in explaining postal services, especially as applied to personal letters and packages. Recent information on rates and services can be obtained from local post offices.

8. This part might be used in conjunction with Unit 12, Starting Your Career.

9. Plan a field trip to the main Post Office on Twin Rivers Drive. Call Customer Programs, 469-7447.

10. For further information on postal services, use pamphlet A Consumer's Guide to Postal Services and Products. To order copies call 469-7447.

Improving Your Business Vocabulary, page 494

1. letterhead
2. reference initials
3. first-class mail

Understanding What You Read, page 494

1. Business letters are written to sell, to answer customers' questions and complaints, to acknowledge orders, and to request information from suppliers of products.

2. A good letter is (1) carefully planned, (2) brief and to the point, (3) accurate, (4) complete, (5) courteous, and (6) attractive in appearance.

3. The six major parts of a business letter are the heading, address, salutation, body, complimentary close, and signature.

4. The name, address, and telephone number of the firm are usually printed on the letterhead. Other pertinent information may be included.

5. When a letterhead is used, the heading includes only the date. When a letterhead is not used, the heading includes the return address and the date.

6. A letter to the Humber Investment Company would have a salutation such as "Gentlemen." To Mr. Arthur Humber, it would be "Dear Mr. Humber."

7. An extra copy of each business letter provides a record

of what has been said and done.

8. The inside address is usually omitted on a postal card, and no space is added between paragraphs.

9. First-class mail is used to send typewritten and handwritten material that is sealed. In addition to letters, first-class mail would be used to send checks, money orders, and other enclosures.

10. Envelopes mailed without stamps or without sufficient postage are returned to the sender for postage.

Applying Your Business Knowledge, page 494

1. Opinions will vary. Some favorable points to omitting the salutation and complimentary close are named in the question. An opposing view might hold that the salutation and complimentary close add an important personal touch to the business letter.

2. The most common type of letter will probably be a sales letter sent as part of an advertisement. At least a few students may have letters answering questions or complaints or acknowledging orders.

3. Florence should give her complete return address, the accommodations she would like, the dates for which she wants the reservation, the length of time she plans to stay, and the price she is willing to pay for the accommodations.

4. Student reports will vary, depending on the letterheads they bring to class. All letterheads should include the name of the individual, business firm, or institution and the address. Many business and institutional letterheads also include their telephone number, cable address, type of product handled, list of offices, and institutional motto. Have students note whether the style and size of type used is appropriate to the nature of the business or the purpose of the institution and whether the letterhead is well balanced and attractively arranged.

5. Advantages of postal cards for business messages: require less postage; stamped cards may be used, saving time of affixing postage stamps; quicker to write because message is briefer and address may be omitted.

   Disadvantages of postal cards: lack of privacy for message; because of space limitations, the brief message may not include all necessary information.

Enriching Your Business Understanding, page 496

1. To fold a standard letter (8½ x 11 inches) for a large envelope (approximately 9½ x 4-1/8 inches), fold the bottom third of the sheet toward the top, then fold the top downward not quite a third of the sheet. The edges should be even at the sides. Holding the envelope face downward, insert the letter with the last fold up and the first crease at the top of the envelope. This method assures the natural reading position of the letter, top edge up, as the sheet unfolds.

   To fold a standard letter for a small envelope (approximately 6½ x 3-5/8 inches), fold the sheet up from the bottom to a point a half inch from the top edge. Fold from right to left not quite a third of the width of the sheet. Fold from left to right, leaving a margin of about a half inch at the right. Holding the envelope face downward, insert the letter with the last fold up and the first crease at the top of the envelope.

   Folding a small sheet for a small envelope is essentially the same as folding a large sheet for a large envelope.

2. The five-digit number of the ZIP code gives the following information. The first digit on the left designates the national area in which the person receiving the letter lives. The national area is made up of three or more states or territories of the United States. The second two digits designate the sectional center or a large city within the national area near or in which the person receiving the letter lives. The last two digits designate the local post office which delivers mail to the person receiving the letter. The ZIP code on the return address, of course, gives the same information for the person sending the letter.

3. Student responses to this question will vary, but the students should point out that machines are available that will fold paper of varying sizes for insertion into either of the two standard-sized envelopes. A stack of letters or brochures is inserted into the stack tray, and the machines feeds the items individually into the mechanism that folds. Some machines are equipped both to fold and to insert into envelopes.

   When a stamping-sealing machine is employed, a stack of envelopes into which the letters have been inserted are fed into the machine, which postage marks and seals each envelope. Pitney-Bowes, Inc., is one of the largest manufacturers of postage meter mailing machines. Automatic mailers can feed, stack, stamp, postmark, seal, count the letters, and record postage used.

4. Students should emphasize such aspects of interoffice correspondence as the type and placement of printed information, color of forms, and size of letterhead.

5. (a) Postal authorities may never open first-class letters for inspection.

(b) Sending letters as first-class certified mail provides proof of mailing and delivery. When you mail a certified letter, you receive a receipt showing that the Postal Service received the letter. For an additional fee, a return receipt showing the date of delivery and signature of the recipient will be returned to you. This receipt provides absolute proof that your letter reached the proper party. Registered mail is similar to certified mail in that the first-class material is accounted for during processing by the Postal Service and a return receipt is available. In addition, registered mail provides indemnity protection (a kind of insurance) up to $10,000. Registered mail is thus the safest way to send valuable articles.

(c) Special delivery is available for all classes of mail. It receives preferential handling in processing and transportation and fast delivery at the destination post office. It is delivered on Sundays and holidays. You would use special delivery when you wanted a letter or package to be delivered as quickly as possible.

(d) It is possible to have mail sent to you by way of General Delivery in a particular city. If you knew approximately when you would be traveling through various cities, you could have mail sent there. You would then need to go to the post office and ask for your mail.

(e) Franked mail is official mail on which the signature of the sender, either written or printed, is used instead of a postage stamp. The franking privilege for official mail is given to members of Congress and to executive and judicial officers for official or departmental business. The Postal Service is reimbursed by the government for postage on mail sent under the franking privilege.

Part 43

TRANSPORTING GOODS

Learning Goals

1. Understand the values of transportation in maintain- a free-market economy and in developing a high standard of living.

2. Identify the different kinds of transportation carriers.

3. Cite the relative importance of the various forms of water, air, and surface transportation, particularly in terms of volume of cargo carried.

4. List the main characteristics of the advantages of the different types of transportation used in moving goods, including railroads, truck lines, waterways, pipelines, buses, and airlines.

Suggested Teaching Procedures

1. This part does not attempt to teach all the intricacies of transporting goods, but students should have a basic grasp of the advantages and disadvantages of different means of transportation. It should be emphasized that shipping services are being studied in this part to show why certain forms of transportation have increased their share of the market. Variations in rates and services in specific cases may be great, as illustrated by Transparency Master 43-1. Transparency Master 43-2 can be used in a discussion of means being proposed to help industries which have lost part of their market share in past years.

2. Students in small groups can be assigned to visit offices of freight carriers, an express office, and an air freight office, if these are available in the community. The report they prepare and the materials they are able to obtain from their visits should provide additional information for the class about the different classifications and types of transportation.

3. Transportation has a terminology all its own. Be sure to go over carefully the vocabulary section on page 505 of the textbook. Assist students in gaining a clear understanding of containerization, fishyback, and piggyback by preparing a bulletin board display of the latest mechanical devices and equipment for loading carriers.

4. Refer the students to Illustration 43-5, page 504 of the textbook, to point out the proportions of freight handled by various carriers. Problem 2 of Solving Business Problems presents another view of the relative importance of the different types of transportation carriers. Encourage students to consult the Statistical Abstract of the U.S. or the World Almanac for additional information about the relative importance of the different means of transportation.

5. Students of this age group will seldom use the transportation services of the kind described in this part, but it is important that they understand why business needs such transportation and how transportation affects them and their business community daily.

   Invite a traffic manager from an industrial concern or a shipping room supervisor to the class to discuss how business uses transportation.

6. Have an administrator or the business manager of your school explain how supplies and equipment are purchased and the means of shipping and receiving these items. Purchase orders, receipts, and bills of lading can be illustrated.

Improving Your Business Vocabulary, page 505

1. freight or shipments
2. shipper
3. carrier
4. private carrier
5. public carrier
6. fourth-class mail or parcel post
7. freight forwarder
8. piggyback
9. fishyback
10. containerization

Understanding What You Read, page 505

1. A shipper should consider the following factors in choosing a method for shipping: (1) nature of the goods, (2) distance, (3) speed, (4) service, (5) cost.

2. Parcel-post rates are determined by the distance the package is to be sent and its weight.

3. United Parcel Service is available to individuals and businesses.

4. Businesses usually must ship many more items over greater

distances than individuals must. Many firms have their own means of transportation, but most businesses also use the same means of transportation that individuals use.

5. Railroad shipping offers cost advantages, especially for bulky and heavy goods; door-to-door pick up and delivery service for some shippers; and special facilities such as refrigerated cars.

6. Trucks can go almost anywhere to any town. They also have very flexible time schedules, accept small shipments as well as large ones, and offer less handling for fragile items.

7. The greatest advantage of shipping by water is relatively low cost.

8. Pipelines are mostly restricted to sending liquid products.

9. Railroads carry the greatest volume of inter-city shipments (see Illustration 43-5).

10. Oil pipelines have shown the greatest increase in amount carried since 1950 (see Illustration 43-5).

Applying Your Business Knowledge, page 506

1. There are several methods you could use to send the apples to Spokane: parcel post, United Parcel Service, or bus. Parcel post would probably be the easiest method. To send the apples to Honolulu, regular parcel post might be too slow, but there is a service called air parcel post which would probably be suitable.

2. Answers will vary from city to city. Students' lists should include such transportation services as trucking firms, private parcel delivery services, railroads, Postal Service, bus lines, airlines, and perhaps shipping lines.

3. (a) For a business, it would probably be a good idea to get quotations from several carriers. Once the cost was known, the manufacturer would have to decide on the basis of this and other considerations: the length of time required and the urgency of the delivery, pickup and delivery service if desired, and the safety of the refrigerators during shipment.

   (b) Students' answers will vary. They should be judged on the basis of the reasons for the students' recommendations.

4. The best method would likely be by truck. The table requires care during shipment since it is an antique; therefore, Ben would want the table to be handled as little as possible. And the table is too large for sending by mail or a private delivery company.

Enriching Your Business Understanding, page 507

1. The teacher will find it more meaningful to the students if copies of the forms are available when reports are given to the class.

   (a) A bill of lading is a written receipt for goods sent by means of public carrier and is also a contract between the shipper and the carrier because it states the conditions of delivery and fee for services.

   (b) A freight bill is a statement given by the carrier that itemizes the shipping charges.

   (c) A waybill is the carrier's official routing and accounting document (it tells the origin, destination, and routing of a shipment).

   (d) A notice of arrival is a form sent by the carrier to the consignee when the shipment reaches the destination terminal or siding.

2. A common carrier is open to the general public. Greyhound Bus Lines, United Parcel Service, and all the major airlines are common carriers. A contract carrier sells its services to one or more individuals or businesses under contract and is not available to others. Contract carriers are not as widely known, but examples may be found in the Yellow Pages by looking under Freight Traffic Service or a similar category.

3. Answers will vary depending on the transporation services. This activity might be assigned to a group of students who could share the search for information.

4. There may be some variation in services offered by United Parcel Service, so these answers should be checked with the local office. The following answers generally apply:

   (a) UPS does pick up and deliver shipments.

   (b) There is no limit on distance within the U.S., excluding Hawaii and Alaska. UPS also has service within Hawaii and Canada, but not between the 48 states and Hawaii and Canada. UPS also offers air shipment to distant states at an additional charge.

(c) UPS automatically insures shipments up to $100 in value.

(d) Shipments valued over $100 may be insured for an additional charge up to a limit of $5,000 for surface shipments and $1,000 for air shipments.

5. The letters COD are sometimes said to stand for cash on delivery and sometimes collect on delivery. Both carry the same meaning. The Postal Service or other carrier collects the value of the package from the recipient before turning over the package. If the sender wishes, the postal or delivery charge and the additional charge for a COD delivery can also be added to the amount collected from the recipient. The reason for the additional charge is the service performed by the carrier in collecting payment for the shipper. This means of delivery is often used in delivery of mail-order purchases.

Part 44

HOW AMERICANS TRAVEL

Learning Goals

1. Be able to list and explain the factors one should consider in choosing travel accommodations.

2. Become familiar with travel information available in road maps, official airline and bus guides, railroad guides, camping guides, and motel and hotel guides.

3. Understand the need to plan a trip well in advance, taking into account factors such as obtaining travel funds, making reservations for overnight accommodations, and preparing a budget of anticipated costs.

4. Realize that travel bureaus are in business to assist travelers in planning trips, ordinarily at no cost to the traveler.

5. Understand the need for special types of travel insurance.

Suggested Teaching Procedures

1. The primary purpose of this part is to give students a general understanding of the services that businesses provide for travelers and to show how these services may be used best by a traveler. Some students may be interested in planning a specific trip somewhere in the United States or in a foreign country. Making plans for such a trip could be developed as a project that would be coordinated with the students' study of Part 44. The project should require students to choose the method of travel, outline their schedule for the trip, plan for their room reservations, budget their expenses, and describe the places of interest they expect to visit. The teacher should help students collect folders, pamphlets, and other kinds of information from travel bureaus or the offices of travel businesses to assist them in completing the project.

2. Students know that travel by private automobile is the form of travel preferred by most people. Transparency Master 44-1 provides specific figures. Emphasize the need to plan the automobile trip well in advance in order to gain the greatest satisfaction from the trip. Emphasize, also, the need to budget the cost of the trip carefully. Also stress the importance of careful driving,

particularly in view of the high accident rate in the United States. Transparency Master 44-2 should be used to illustrate the costs of driving a car.

Have students collect pictures showing the different services offered by airline, bus, railroad, and steamship companies. Also, collect pamphlets and other advertisements describing the various services rendered by travel service companies. If facilities are available, show a film depicting travel by airplane, by bus, by train, or by steamship. Many transportation companies make the film services available for school use. Consult the office of a local travel company for information about films.

3. The point should be stressed that how one travels and why is in part determined by personal values and what the person wants to accomplish on the trip. Is it for pure pleasure? Pleasure and education? Education and business? Is one willing to settle for less luxurious accommodations overnight in order to extend the length of the trip? Costs, availability of transportation, tours, companionship, type and availability of food, overnight accommodations, and sights to be seen are among the factors to be considered in choosing travel accommodations.

4. Most students will not have a thorough understanding of maps, even though they may have used maps on a trip. On a state highway department map in particular there is much information other than identification of routes that will be of help to the traveler. Have students collect some recent maps and bring them to class for exhibition and discussion.

   If a copy of one of the offical guides is available, the teacher may demonstrate how the guide may be used to obtain information about public transportation. Hotel and motel directories are also available from the various hotel and motel franchises.

5. Travel bureaus receive their income from the commissions paid them by the airlines and other travel companies with whom they route passengers. The manager of a local travel bureau might be invited to speak to the class about the services the firm offers. Give the students an opportunity to ask questions about the costs of the various kinds of tours.

   Also point out that other groups assist the traveler in planning trips. Major oil companies provide this service through a request communicated by the local dealer. Have the students whose parents or other members of the family belong to automobile clubs (such as AAA) discuss the services rendered by those clubs in planning trips and in assisting club members in other ways.

6. Warn students that the failure to plan the trip well in advance, especially during peak vacation seasons, may result in their inability to find suitable accommodations. Have students collect directories of information about hotels, motels, trailer courts, and campsites and describe their service.

   Point out that when traveling a person should have funds in such a form that they can be used conveniently and yet with little danger of loss. Traveler's checks are recommended for ordinary trips. Encourage discussion of why traveler's checks are acceptable almost anywhere. Have a student obtain from a local bank literature on the use of traveler's checks and explain this information to the class. Transparency Master 23-2 may be used again to illustrate the procedures in purchasing and using traveler's checks.

7. Explain to students that not all countries require visas of all foreign visitors, but that many do. Point out that a visa, when required, is a permit given by the country to be visited and is stamped in the traveler's passport to enable the traveler to enter the foreign country.

8. Some students have seen the traveler's insurance booths and insurance vending machines in passenger stations of commercial airlines or other terminals. Discuss the costs of these special travel policies in terms of the completeness of their services.

Improving Your Business Vocabularly, page 516

1. timetable
2. passport
3. visa
4. travel policy

Understanding What You Read, page 516

1. Many people prefer travel by car because it is convenient, private, and generally less expensive than other means of transportation. Automobile travel permits greater flexibility in scheduling since the travelers may set their own pace, stopping when they want.

2. The main advantage of air travel is its speed.

3. Buses are the most popular as a means of traveling to smaller towns and cities. Bus travel is also less expensive than many other means.

4. The federal government has sponsored a corporation, Amtrak, which operates most passenger trains in the United States except local commuter trains.

5. Steamships have become less popular because they are much slower than air travel. Today their chief use is for pleasure cruises.

6. You can get information about means of transportation and travel services from travel companies themselves (such as airlines and bus companies) or from travel bureaus.

7. Travel bureaus offer vacation ideas, trip suggestions, and information about schedules and costs. Travel bureaus also make reservations, obtain tickets, and organize group tours.

8. A passport is an official government document that identifies you as a citizen and permits you to leave the country and return to it.

9. Information about travel in foreign countries can be obtained from transportation companies, travel bureaus, and often banks.

10. Most automobile insurance policies do not cover you while you are driving in a foreign country. A special coverage can be arranged for your trip. Your insurance agent can also provide information about

what to do if you have an accident while out of the country and about driving regulations in other countries.

Apply Your Business Knowledge, page 516

1. Students' answers will vary. One of the probable reasons for a children's discount is to encourage family air travel. Many families could not afford air travel if they had to pay full fare for all their children. Many members of the military need to travel by air frequently. Giving them a discount may be thought of as a patriotic gesture as well as a way to gain goodwill.

2. Mr. and Mrs. Kaufman should consider lodging, meals, entertainment, gasoline, car maintenance, and unusual expenses.

3. Tim must have had many stops to make between Chicago and St. Louis. He still might have flown, except he probably wanted to have a car always at his disposal while staying in a city. He also might have had a great many books, photographic supplies, and other items along.

4. She may obtain information about hotels at the resort from the directory published by the American Hotel Association, from the chamber of commerce or the publicity department of the resort, or from a travel bureau.

5. Important information would include: (1) the time required by each method, (2) available times for departure and arrival, (3) cost, and (4) other services, such as meals.

Enriching Your Business Understanding, page 518

1. Sources available to the camper are: campers' periodicals such as the North American Camper's Guide, the Travel Trailer Guide, Woodall's Trailering Parks and Campgrounds; state highway department maps that indicate camping areas; the state park and forest commission; the "Vacation" classified section of the newspaper.

2. Student responses will vary. The report to the class should provide the basis for a good class discussion.

3. The state highway department, auto club, and some service stations can provide maps for this activity.

GOVERNMENT, LABOR, AND WORLD TRADE

Unit 11

This unit presents several additional basic economic concepts. Many teachers, counselors, and administrators perhaps do not yet fully appreciate how great an impact general business can have in strengthening our society by educating youth for more intelligent and alert citizenship. This unit provides the opportunity for the student to gain a better understanding of the contributions that government and labor make to our private enterprise system.

The important freedoms we enjoy have encouraged Americans to work hard and to risk their savings in business ventures. Under our system we produce and distribute more goods and services than any other country in the world. We are successful in using the forces of nature and human creativeness in providing for many economic advantages and in eliminating much human drudgery. Students need to understand that the achievements of the American economic system would not be possible without the combined efforts of business, labor, and government. Government regulation of certain business practices is essential to the general welfare. In order for government to provide the services that are needed and demanded, revenues for the operation of government must be generated through taxes. A discussion of the American tax system is included in this unit to bring together the concepts of taxation and government services.

This unit also emphasizes that without a willing and trained labor force the productivity of both business and government would be insignificant. The development of labor unions and the resulting improvements in working conditions present a positive image of the partnership that exists between business management and the labor force in most American businesses.

A study of world trade is appropriately included in this unit because of the substantial role of government in its political relationship with other countries and in its regulation of international trade policies. The content of this part stresses the interdependence of nations and the relationship of the United States as a trading partner with other nations of the world.

The objectives are to:

1. Gain a new appreciation of the role of government in the effective functioning of our economic system.

2. Understand how government benefits business and the

individual in providing an atmosphere of a free economy while protecting personal and property rights.

3. Be able to explain how the cost of government is met.

4. Gain a new appreciation of the role and contribution of labor to the economy.

5. Understand how world trade is conducted and recognize its importance to the economies of the nations of the world.

Part 45

GOVERNMENT IN THE ECONOMY

Learning Goals

1. Appreciate the importance of fair practices in our business system and recognize the role of government in establishing and enforcing the rules under which business operates.
2. Know the services that government provides to business and to individuals.
3. Understand why some monopolies are permitted and the need to regulate them.
4. Show the relationship of personal and property rights to the services of government.
5. Illustrate how the amount of government participation in business and personal affairs is determined.

Suggested Teaching Procedures

1. The teacher should emphasize the concept of "rules of the game" described on page 523 of the textbook. The concept is basic to an understanding of the role of government in relation to business enterprise. The teacher may appoint committees of students to interview selected businesses for the purpose of reporting local, state, and federal regulations that affect these businesses.
2. List on the board as many ways as students can give of government assisting individuals in business and personal relationships. As each is listed, have students give an example. Many of the items listed will be included in both categories--as an aid to business and as an aid to the individual. For example, fire departments provide protection to business establishments as well as to private homes. Government builds roads and highways over which the supplies and products needed by business are transported. These same roads enable the individual to travel to a store in order to shop for the goods and services business has to offer. Transparency Master 45-2 may be used to emphasize government's role in attacking noise pollution--another service of government.
3. Point out that to provide the best service at the

least cost it is sometimes desirable to permit only one company to provide that service. Ask students to define a monopoly and to give examples of local monopolies.

4. The right to own and control our possessions is one of the most cherished rights we have, whether that property is a motorcycle, a house and lot, a small restaurant, or a manufacturing firm.

   One of the major functions of government is to assure that one's rights--business or individual--are not violated. The right to safe working conditions, the right to open and operate a business, the right to an education, the right to a fair wage--these and many other issues involving rights have been built into our system of laws enforced by our government. Encourage students to identify national, state, and local laws and regulations which have as their basic purpose the protection of personal and property rights.

5. Students must be made to realize that, in the final analysis, it is the voter who determines how deeply government is permitted to regulate, control, and engage in business activities. Try to get students to think about and debate such questions as:

   "The government should not permit public utility monopolies."

   "All public utilities should be owned and operated by the government."

   "Businesses should be free to make any claim in their advertising that they can expect the public to believe."

   "The government has a responsibility to protect the public from impure food and drugs."

   "The city should have the right to take the property of a private citizen in order to put it to public use."

   The teacher should focus the students' attentions on the fact that how the majority of citizens feel about questions of this nature will strongly influence the action that elected government officials will take. Transparency Master 45-1 should be used to illustrate government's role in providing fair treatment through certain standards.

6. Arrange for a speaker from the Public Utilities Commission of Ohio to speak to your class. Phone number is 466-3791.

7. Arrange for a field trip to see and hear a PUCO hearing. Hearings normally start at 9:00 a.m. and at 1:30 p.m. Docketing Division phone number if 466-3481. Choice among gas, water, electric, telephone and motor carrier.

8. Discuss how government policies on spending and taxing affect business and industry.

9. Contact the City of Columbus Consumer Affairs Office to arrange for a speaker. Phone number if 461-7397. Suggested topics:

   Postive consumer action
   Columbus' consumer protection ordinances

10. Arrange for small groups of students to report on government job opportunities.

    (a) City of Columbus - phone number is 461-5671

    (b) State of Ohio, Department of Administrative Services - phone number if 466-4026

    (c) Federal Job Information and Testing Center (Civil Service Commission) - phone number is 469-5640

11. Select a group of students to present a dramatic skit showing what life would be in a community in which no services were provided by government.

Other Sources of Information

1. Federal Information Center
   221-1014

2. State of Ohio
   House of Representatives and Senate
   Legislative Public Information Office
   466-8842

3. State of Ohio
   Commerce Department
   Consumer Protection Division
   466-3491

   Agriculture Department
   866-6361

Consumer Information Center
466-4986

Attorney General
466-4986

Environment Protection
466-8972

Insurance
466-4170

4. Federal Trade Commission
Washington, DC 20580

FTC News Summary (free)

5. Consumer Product Information
Washington, DC 20407

Consumer Product Information (free)
Consumer Product Information Index (free)

6. USDA, Office of Information
Washington, DC 20250

Service (free)
USDA's Report to Consumer (free)

7. U.S. Environmental Protection Agency
Office of Solid Waste Management Program
Washington, DC 20460

Solid Waste Management (free)

Improving Your Business Vocabulary, page 530

1. public utility
2. public property
3. eminent domain
4. patent
5. copyright
6. trademark
7. subsidy
8. tariff or customs duty

Understanding What You Read, page 530

1. Government serves small business owners as well as large corporations by establishing and enforcing certain rules and regulations so that the welfare of others will not be harmed. The Mastins must meet standards set up by the local department of health. Their building must have the approval of the local

fire department. Their working conditions and wages must comply with state labor laws. Because of such regulations, however, other restaurants will have to compete fairly and honestly with the Mastins.

2. Services of government include: operating public schools, hospitals, and libraries; building and maintaining streets, highways, and water supply systems; providing parks and other facilities for recreation; maintaining police and fire departments and the armed forces; collecting and delivering mail; printing and coining money; and developing programs to conserve natural resources. There are others students may answer, such as operating hospitals and prisons.

3. Government prevents unfair competition in the shipping business by requiring that a shipper charge all customers the same rate for the same kind of shipment over the same route.

4. One telephone company can provide service more efficiently and less expensively than many competing companies could.

5. A monopoly is considered not to be in the best public interest when the lack of competition might cause customers to receive poor quality merchandise at high prices with poor service.

6. Private property is property owned by an individual. The individual is free to use or sell the property. Public property is property owned in common by the people of a city, state, or nation. Clothing, books, and houses are private property. Parks, post offices, and courthouses are public property.

7. The government gives special copyright and patent rights to encourage and reward people who create useful things.

8. Government helps unemployed people by providing unemployment compensation, providing training needed to get a new job, and helping them look for new jobs.

9. Government helps private business by collecting and reporting information through government agencies, by making loans, and by providing subsidies and levying tariffs.

10. A tariff helps the businesses within a country to compete with foreign producers of similar products by causing the foreign producers to increase the price of

their products.

Applying Your Business Knowledge, page 531

1. Answers will vary. Some examples are: local government: playgrounds, transit service, water or other utilities; state government: state parks, bureau of consumer affairs, workmen's compensation; federal government: FDA standards, Postal Service, Veterans Administration.

2. If contracts could not be enforced by courts, there would be little reason to have contracts. The value of a contract is that it places the force of law behind what is contained in the contract.

3. (a) Public utilities provide telephone, telegraph, gas, water, electricity, and transportation.

   (b) Responses will vary as to whether or not these services can be better performed by private businesses.

4. The key answer to this question is the public good. When the public good outweighs the good of the individual whose property is involved, the state may exercise its right of eminent domain. Some reasons that would justify the exercise of eminent domain are the completion of roads, highways, hospitals, and other services that benefit many people.

5. Students should be able to identify the concept that government has certain responsibilities for the general welfare but that these responsibilities can be clearly identified only as the citizens decide by using their voting rights. If government attempted to undertake any business activity at will, the private enterprise system would no doubt be weakened. Some examples of business activities undertaken by both private business and by government include: mail service; insurance; retirement programs; quality control in certain types of businesses; citizen and property protection.

6. Responses will vary.

Enriching Your Business Understanding, page 533

1. Students should have little difficulty in locating 10 trademarks. The class might well be able to identify each company by its trademark even if the name of the company does not appear as part of the trademark.

2. Interstate commerce pertains to business operations

and transactions carried on among the states. Intrastate commerce refers to business operations and transactions that are confined within one state. Under the Constitution, the federal government is given the right to regulate interstate commerce. But the right to control business activities carried on within a state is reserved to the state itself.

3. Since public employees' salaries are paid out of government funds collected through taxes, it is fair that the public know how much they are paying for which employees and services.

4. (a) The Sherman Antitrust Act, passed in 1890, made it illegal to engage in any act that would result in a restraint of trade or commerce among the states or with foreign nations. It made illegal monopolies or attempts to monopolize any part of trade or commerce. One of the most famous cases brought to court under the Sherman Antitrust Act was the Standard Oil Company case.

   (b) and (c) The Federal Trade Commission was established in 1915 by order of the Federal Trade Commission Act of 1914. The Clayton Act, also passed in 1914, delegated certain additional duties to the FTC. Both acts were intended to define more clearly than the Sherman Act had the meanings of "undue restraint" and "unfair competition." The Clayton Act outlaws some specific practices.

5. The Domestic and International Business Administration of the Department of Commerce maintains field offices in more than 40 cities. The Bureau of International Commerce is the division of the Domestic and International Business Administration that helps U.S. businesses sell their goods in international markets by providing commercial, economic, and marketing information on prospective markets and information about prospective customers.

Part 46

PAYING FOR GOVERNMENT SERVICES

Learning Goals

1. Understand the way in which government is both a producer and a consumer of goods and services.

2. Understand that the services demanded of government must be paid by those being served by government.

3. Show why revenue is the main source of government income.

4. Be able to identify the different types of taxes.

5. Understand that government, like businesses and individuals, may need to borrow money to pay its debts and that it issues notes and bonds as promises to repay loans.

6. Recognize our responsibility for evaluating government expenditures, as well as the methods used for providing revenues.

Suggested Teaching Procedures

1. Students can offer many examples that reveal government as both a producer and a consumer. When government provides electric power to business and individuals, it buys supplies, equipment, and buildings provided by industry. When it builds highways to aid our automobile travel, it must purchase heavy equipment and employ men to operate it.

2. Some people feel that goods or services provided by government are free. The study of this part provides an excellent opportunity to correct that impression. Somebody does have to pay. The more goods and services that are provided by federal, state, and local government, the more we must all pay--usually in the form of higher taxes.

   Encourage a class poster project. Have students collect leaflets, pictures (including the taking of photographs), and news articles showing the local services provided through taxation. If possible, obtain information indicating the general cost of providing and maintaining some of these services. Perhaps a series of displays could be developed by the general business classes over a period of time.

3. Students should not be led to believe that taxes are the only source of revenue available to governments. Some revenue is raised through the sale of government lands, property and mineral rights, goods and services, etc. However, the levying and collecting of taxes is the main source of revenue. Have the students examine carefully and discuss Illustration 46-3, page 540 of the textbook, and Transparency Master 46-1 which show how the federal government gets its money and how it spends it.

   After studying and discussing this topic as fully as time permits, it would be worthwhile to have the class as a group analyze the latest yearly budget of a local government unit. Arrange to have a committee of students interview local government officials for information and to obtain copies of the budget or budget summary. Or invite one of these officials to visit the class to present materials and to explain local government income and expenditures. If neither of these arrangements can be made, the teacher should obtain budget reports in advance for class reference. Contact the Budget Director in the City Finance Department. Phone number if 461-8200. During one class meeting develop on the chalkboard a chart showing (1) the sources of income; (2) the estimated amount from each of these sources; and (3) the purposes, including proposed amounts of expenditures, for which this income is to be used. The students will be interested in observing the share of the local taxes that is spent for schools and which is therefore directly provided for their benefit.

4. Income tax rates and rules change somewhat from year to year, so there is little purpose in spending much time in the discussion of such rates. The students will find it interesting, however, if a few problems are solved that illustrate the amount of taxes paid by people with different incomes. Information on income tax rates is frequently printed in newspapers, but complete information can be obtained from the nearest office of the Internal Revenue Service. If time is available and if the project is not used in other classes that the students will be taking, the teacher may wish to obtain a supply of "Teaching Taxes" kits for class use. These generally are supplied without charge by the Internal Revenue Service. Call the IRS Director's Representative in Columbus for these kits. Phone number is 469-5707.

   Appoint a small committee to interview a businessperson, preferably a sole proprietor, and report on what taxes must be paid to or collected for the local, state, and federal governments. Also try to get a general idea of how the business keeps records to report these taxes.

5. Appoint a small committee to interview a local tax official to obtain information on what action is taken in the event that a home owner is delinquent on taxes. What happens if the property owner does not have enough money to pay taxes that are overdue? Delinquent tax phone number is 462-3433.

6. Transparency Master 46-2 gives an overview of the proportion of wages that goes to taxes and other expenditures.

7. Have students prepare a short written report on one of following: the need for expanding governmental services or the need for reducing government services.

8. Ask students what basis they would use in judging whether or not a tax is fair.

9. Appoint a committee to set up an exhibit of items related to taxes such as tax forms, admission receipts, tax stamps, plane tickets.

10. Contact the Budget Office of Columbus Public Schools and secure a scaled down revision of the school's budget. Phone number is 225-2666.

11. Have your students interview an employee of an income tax preparation agency. H & R Block, Inc., Mr. Tax of America, or Universal Tax Service are local agencies. Have the interview focus on educational requirements needed for a prospective employee.

Other Sources of Information

1. Internal Revenue Services
   261 S. Third St.
   Columbus, OH 43215

2. Tax Foundation, Inc.
   80 Rockefeller Plaza
   New York, NY

3. Internal Revenue Services District Office
   P.O. Box 2119
   Cincinnati, OH 45201

   For questions about the Understanding Taxes Program.

Improving Your Business Vocabulary, page 541

1. revenue
2. income taxes
3. sales tax
4. excise tax
5. estate tax
6. inheritance tax
7. gift tax

Understanding What You Read, page 542

1. Some government services that many citizens believe can be better provided by government than by individuals are public schools, streets, police and fire protection, and hospital services.

2. Six kinds of taxes levied and collected by government are: income taxes, social security taxes, property taxes, taxes on goods and services, import taxes, taxes on estates, inheritances, and gifts.

3. The corporation income tax is a form of double taxation because the corporation must pay a tax on its profits and the shareholders must pay taxes on their share of the profits received as dividends.

4. Social security taxes are withheld from employees' wages, added to by employers, and sent to the federal government.

5. Most property taxes are collected and used by local governments.

6. A sales tax is a state or local tax on most or all consumer goods and services. An excise tax is a federal tax placed on certain goods and services. The excise tax is generally added to the price quoted to the consumer, whereas sales tax is not.

7. Only the federal government may tax imports.

8. The gift tax was passed to prevent people from avoiding the estate and inheritance taxes.

9. The government may borrow money if taxes do not provide enough revenue.

10. Government income through taxes will increase when business is good and many people are working. Income taxes will be larger, and people will also buy more and thus pay more sales taxes.

11. Fourteen percent of the federal government's income taxes come from corporation income taxes (see Illustration 46-3, page 540).

12. You can help see that good business management is practiced in government by being interested in government affairs, electing capable people to public offices, studying the issues and voting intelligently, and expressing your views to elected officials.

Applying Your Business Knowledge, page 542

1. Every state depends on other states to provide some important goods. If states were free to impose import taxes on goods from other states, the prices of many items might rise until they were out of the reach of many consumers.

2. When the government receives money through the sale of bonds, it promises to pay the bond purchaser a definite sum of money at a specified time and agrees to pay interest at a specified rate at certain intervals. Money received through taxes, however, represents a compulsory contribution made to the government to provide for services for the common good.

3. (a) local
(b) local and state
(c) local and state
(d) local
(e) state and federal
(f) local and federal
(g) state and federal
(h) local
(i) local
(j) local and state
(k) local
(l) local and federal
(m) local
(n) federal

4. Answers will vary, but these factors should be considered:

(a) Advantages: The fire department would maintain control over the entire project, and this involvement might result in improved community spirit.

Disadvantages: There may be little local interest in barbecues; to be successful requires many hours of work from all members of the department; there is no assurance of any profits.

(b) Advantages: It is relatively easy to draft the request for an appropriation; the amount of the appropriation, if approved, is fairly definite.

Disadvantages: Sufficient funds may not be available; some taxpayers may object; the fire department may not be able to clearly justify its needs when the request is prepared.

(c) Advantages: The efforts of the department could be concentrated in one fund-raising drive in which the amount appropriated would be more definite than a department-sponsored drive; the time required to prepare the request would not be great.

Disadvantages: Sufficient funds may not be available to distribute to additional participants; contributors may object.

(d) Advantages: Increased citizens' pride; there may be more opportunity for increased funds than when combined with another fund-raising drive.

Disadvantages: Considerable time and effort are required to properly organize and coordinate the drive; contributors may not support the drive if other fund-raising campaigns are too competitive.

5. A large tax on jewelry would be difficult to administer and collect. Just the valuation of everyone's jewelry would be an endless task, and much jewelry might not be assessed.

Enriching Your Business Understanding, page 544

1. A proportional tax is a tax with a uniform rate regardless of the amount involved. A progressive tax is one that increases the rate as the amount taxed increases. A regressive tax is one for which the rate increases as the amount taxed decreases. The federal income tax is a progressive tax. State sales taxes are proportional in that the rate remains constant; however, sometimes sales taxes are said to be regressive because people with low incomes tend to spend more of their incomes for taxed items than do the wealthy and therefore pay a greater percent of their incomes in sales taxes. Property taxes are mostly proportional taxes.

2. (a) Tom Lee probably directly pays sales taxes, income

taxes, and social security taxes.

(b) He indirectly pays property taxes, and some of the sales taxes, income taxes, and social security taxes of others to the extent that they pass these taxes on to him as part of the price of goods and services.

3. On January 1, 1943, the income of most wage earners became subject to the pay-as-you-go, or withholding, method of collecting federal income taxes at the source. Prior to 1943, wage earners were always behind on the payment of their income taxes. For example, the tax on income earned in January and succeeding months was not paid until the tax return was filed in the following year. With the pay-as-you-go system, the federal government receives income taxes more promptly. It also avoids the trouble of collecting income taxes from millions of workers.

4. An exemption is a specific amount deduction allowed in computing taxable income. Each taxpayer is entitled to claim one exemption for self, for spouse, and for dependents such as minor children. Other deductions allowed depend on amounts spent by taxpayers. These include medical and dental expenses, other taxes, interest expenses, contributions, and casualty and theft losses.

5. Opinions will vary. One point that some students may raise is that this type of control may hurt people of low income much more than it will help the economy.

Part 47

LABOR'S ROLE IN OUR ECONOMY

Learning Goals

1. Recognize that labor is one of our outstanding resources and is an active partner in each successful business enterprise.

2. Understand why and how labor unions developed and prospered.

3. Be able to identify and explain the benefits that unions have brought and continue to bring to their members.

4. Be able to identify and explain techniques that unions employ to achieve their aims in dealing with management.

5. Be able to define and explain the meaning of terms that are peculiar to labor-management relations.

Suggested Teaching Procedures

1. In priding ourselves on the high level of managerial achievements in this country, we too often overlook the contribution that the nation's able and well trained labor force has made to the development of the nation and the production of the goods and services we enjoy. The purpose of this part is to present an objective discussion of the role of the American worker in our society. The point should be emphasized that our labor force is one of the nation's greatest productive resources, and that only with labor acting in partnership with management can the highest productive potential be realized.

2. It is important for students to understand that by "labor" we do not mean just the worker who wields a pick or shovel or operates a hoist or crane. In the broader sense, labor refers to all who are productively engaged in paid work. This would include salespeople, teachers, doctors, professional athletes, and maintenance workers, though it would not include homemakers, retired persons, or those not old enough to enter the labor force. Ordinarily, however, we use the term "labor" in a narrower sense by thinking of workers in our mines, factories, and offices. Those who manage our business enterprises, although members of the labor force, are referred to as "management." Use activity 1 of Applying Your Business Knowledge as a

basis for a discussion of who is and who is not in our labor force.

3. The point should be developed that everybody joins organizations for many reasons, and that benefit can be derived by organizing when it operates for the common good. Students should also understand and appreciate the fact that in recent years great progress has been made by management and labor in settling disputes peacefully and intelligently.

4. Few would question the fact that laborers are better off today because of labor unions' efforts. Have students ask several friends and relatives who are members of labor unions to describe the advantages and disadvantages of membership. These comments should be reported to the class, and the teacher may want to list the comments on the chalkboard. The teacher may want to invite a local labor leader to meet with the class to discuss the labor movement and the benefits that have resulted. It would also be desirable to invite a manager of a local business firm that has a union to discuss the relationship with the union as well as the manager's views of organized labor. The teacher will need to establish rather firm ground rules for this discussion, however.

5. Unionism has waged a constant struggle in its efforts to obtain a better deal for the worker. In this struggle, labor used the strike, the boycott and other techniques to accomplish its goals. It should be emphasized that the only tangible product labor has to sell is its service, which it has a right to withhold if the bid for that service is not, in its judgment, fair. Point out, though, that strikes are costly to both labor and management. Students should understand that unreasonable demands by either labor or management may result in a long strike that benefits no one.

6. Students may trace how some recent strike on a national level affected other segments of the economy, including the economy of the local community. For example, how might a steel strike affect industries and businesses elsewhere? the price of cars? the production of coal? the supply of refrigerators in local stores?

7. Transparency Masters 47-1 and 47-2 can aid in discussing labor unions and their place in the industrial world.

8. Take a survey of your classes and determine the number of students that have part-time jobs and are members of the labor force. Discuss advantages and disadvantages

of students participating in part-time work.

9. Have students interview a placement counselor at an employment agency. Check the yellow pages for the closest one to your particular school. Report to the class. Suggested topic could be Duties and Responsibilities of a Placement Counselor.

10. Check with the music department in your school building to see if any teachers are members of the Columbus Federation of Musicians. Invite these teachers to explain the role of this labor union to your class.

11. Contact the Federal Mediation and Conciliation Services to obtain a speaker to explain their role in labor-management disputes. Phone number is 469-5575. Remember to have the speaker include a brief job description in his discussion.

12. Contact the Ohio Bureau of Employment Services at 466-4723 for a speaker to explain the Bureau's services. Paul Reibel is Chief of Counseling.

13. Contact the Ohio AFL-CIO at 224-8271 for a speaker. Suggested topic could be Labors Role in Ohio's Economy.

14. Discuss the following: "Should the practice of raising or lowering wages in keeping with changes in the cost of living apply to all workers? Why or why not?"

15. Have students interview their parents or other working adults to find out the various kinds of fringe benefits they receive in addition to their wages or salary. As these are reported in class, list them on the chalkboard.

16. Use the simulation game The New City Telephone Company. Exciting way to involve the students.

17. Products made by union workers often carry labels stating that the products were union made. Have students bring the labels to class and make a display of them.

18. Have two students dramatize a situation involving a union member attempting to convince another worker to join the union.

19. Arrange for a field trip to the Southeast Career Center, 3500 Alum Creek Drive. Phone number if 497-1800. The following programs are available for students to visit:

Rough Carpentry
Finish Carpentry
Electricity - Construction
Heating and Air Conditioning
Machines Trades
Masonry
Sheet Metal Fabrication
Plumbing
Refrigeration
Building Specialties

20. Unemployment Multi-Media Kit - kit includes a teacher's guide, student manual, simulation game, transparency set and a filmstrip with recording and illustrated script. Available for Career Education Department at Fulton Center. Contact Dick Briggs at 228-8046.

Other Sources of Information

1. U.S. Department of Labor
Office of the Secretary
Washington, DC 20210

The Consumer Price Index
News-information from the U.S. Department of Labor
Cost of Living Index
(free)

2. AFL-CIO
AFL-CIO Building
815 - 16th Street, NW
Washington, DC 20006

3. Check the yellow pages of the Telephone Book under Labor Organizations.

Improving Your Business Vocabulary, page 552

1. labor
2. labor force
3. closed shop agreement
4. union shop agreement
5. escalator clause
6. fringe benefits
7. collective bargaining
8. strike
9. picketing
10. boycott

Understanding What You Read, page 553

1. Without labor, our tools, machinery, and building would

not be built. And without labor this equipment could not be put to good use in producing goods and services.

2. The U.S. labor force is composed of all people 16 years of age or older who are working or looking for work. Those not considered part of the labor force are students, homemakers, retired people, those under 16, and those unable or unwilling to work.

3. The following are among the groups who have formed associations: physicians, teachers, employers, lawyers, business people, farmers, veterans, and actors. All of these might have members in the student's community.

4. The AFL-CIO (American Federation of Labor--Congress of Industrial Organizations) is a very large and powerful labor union to which many smaller unions belong.

5. The following conditions have contributed to the growth of the labor movement: unusually long working days, unsanitary working conditions, unsafe working conditions, burdensome toil required of women and children, low pay, mistreatment of employees who complained about conditions, and inability of a single worker to bargain directly with the owner of a large firm.

6. The Wagner Act, also called the National Labor Relations Act, is vital to employees because it affirms their right to join unions. It provides that employees have the right to hold fair elections to determine which union they want. It also states that employees have the right to select representatives from their unions to make agreements with employers about working conditions.

7. A closed shop agreement would compel employers to hire only members of a union. A union shop agreement permits an employer to hire workers who are not members of a union provided that the workers become union members within a specified time after their employment.

8. Job security for members is important because much unemployment is due to changes in business conditions. When business is good, many workers are employed to produce the goods and services the public demands. But when business is poor, there is less need for so many workers, and some are laid off. Also, some employment is seasonal. In some fields, there is more demand for workers during one time of year than

another. Some unemployment is caused by changes in technology. For example, a new machine may be invented which will do the work of several employees.

Unions try to get job security for their members in several ways. They try to persuade employers not to discharge large numbers of employees suddenly. Unions may try to get employers to agree to retrain workers and place them in other jobs. Unions may urge employers to guarantee their workers enough employment to earn a minimum annual income. Unions also strive for employers to recognize seniority rights, that is, to consider the length of time a worker has been with the company.

9. Benefits that unions have helped obtain for workers include higher wages; shorter working days; safe and more desirable working conditions; and fringe benefits such as sick leave with pay, paid vacations, life and health insurance, pensions, profit-sharing plans in which the employees share in the company's earnings, paid holidays, and free health services on the job.

10. In a firm employing many workers, an individual employee would not be very effective in bargaining directly with the employer. A worker who was dissatisfied could quit and the employer would not be particularly concerned, for a replacement could be found readily. But if all of the workers present a united front through collective bargaining, the employer will need to consider the complaints or run the risk of having all workers go on strike or actually quit and thus do serious damage to the business.

11. Workers and employers generally prefer to settle disputes by collective bargaining rather than by other tactics that may result in a stoppage of work. Strikes can be costly to workers who would be without jobs and to employers who would be without business.

Applying Your Business Knowledge, page 553

1. (a) Is part.
(b) Is part.
(c) Is not part.
(d) Is part
(e) Is part.
(f) Is not part.
(g) Is part.
(h) Is part.
(i) Is part.
(j) Is part.

2. Consumers may suffer from the scarcity of Castleberry's goods and from the higher prices that are caused by a reduction in the supply of this company's product. This strike may decrease the incomes of workers' families and many business in the community may suffer because of the reduction in purchasing by these families. Furthermore, less is paid in taxes when workers have less money; thus the entire economy suffers. A serious strike, such as a steel or automobile manufacturer strike, can affect the welfare of the entire nation.

3. Government workers are sometimes treated unfairly because it is generally assumed that they will not strike. However, as a last resort, a strike by government workers may be necessary. Students may provide various reactions to this question, and the teacher should encourage the defense of positions taken.

4. Reactions will probably vary widely among students. The teacher may point out that in most instances workers and their employers are able to solve their own problems. In a few instances, the security or welfare of the nation may be affected by an impasse at the bargaining table, and the government may find it necessary to intervene.

Enriching Your Business Understanding, page 555

1. Craft or trade unions include workers who are doing the same type of work, usually a skilled trade. Examples are such organized groups as carpenters, bricklayers, plasterers, electricians, and plumbers.

   Industrial unions include all workers, skilled and unskilled, who work in the same industry. For example, all workers in an automobile plant, regardless of the jobs they do, become members of an industrial union when they join the United Automobile, Aircraft, and Agricultural Implement Workers of America. Mine workers and clothing workers, among other groups, generally belong to industrial unions.

2. Responses will vary according to types of interviews made and according to the composition of the community. It is suggested that at least two or three different reports be presented for each question.

3. The terms are defined briefly below. Students should prepare detailed definitions as they may apply to this part.

(a) arbitrator: a person chosen to settle a dispute between an employer and employees.

(b) featherbedding: provisions of a labor-management agreement which require that an employer hire more workers than are necessary to perform jobs.

(c) injunction: a written order from a court requiring a person or people to do something or to refrain from doing something.

(d) layoff: a suspension of employment, generally temporary, because of lack of work due to seasonal changes, cutting down of production, decline in orders, and other economic reasons.

(e) lobbying: actions taken by a group with special interests to influence legislators to vote for or defeat certain bills.

(f) mediation: a method by which a third party enters a dispute and attempts to settle it to the satisfaction of the two parties involved; usually used in labor-management disputes; decision of the third party is not binding.

(g) right-to-work: legislation existing in some states stating that workers can work in an industry even though they refuse to join a union.

(h) scab: a term applied to a worker who does not honor a picket line and continues to work for the employer during a strike.

(i) secondary boycott: a practice in which members of a union other than the one involved in a labor dispute refuse to purchase, transport, or deal with the firm against which the boycott is directed.

(j) seniority: an employee's status based on length of service with an employer; affects rights, privileges, wages rates, and promotions.

(k) steward: a union representative in the shop.

(l) wildcat strike: a strike that is not authorized by union officials.

4. Student responses will vary in accordance with the information obtained.

5. Unions have worked for the passage of legislation which

provides benefits for all employed people. By lobbying and by supporting candidates for politcal office, unions have prompted the passage of laws providing for workmen's compensation, social security, and unemployment insurance.

Part 48

TRADING WITH OTHER COUNTRIES

Learning Goals

1. Be able to illustrate through specific examples how world trade provides us with many foods, raw materials, and manufactured goods that otherwise we would not have.

2. Recognize and appreciate the fact that people and communities and nations throughout the world are interdependent.

3. Compare foreign trade with domestic trade, outlining differences and similarities.

4. Explain how the application of the principle of comparative advantage can be of benefit to all nations.

5. Show how the monetary units of various countries can be equated with the value of American dollars.

6. Describe and defend or oppose the major controls that are used by governments to limit imports.

7. Be able to interpret and support the statement that "World trade is a two-way street."

Suggested Teaching Procedures

1. The content in Part 48 lends itself especially well for student involvement in discussions, debates, role playing, and preparation of teaching aids. Teachers may therefore wish to allow ample time and effort to the various Applying and Enrichment activities that appear on pages 567-568 of the textbook, as well as to some of the suggestions that follow.

2. Students need to be reminded that their lives-and the lives of the rest of us-are profoundly affected by the world trade. In the U.S. we could exist without international trade, but our styles of living would be different because many of the things we enjoy today would not be available to us. As we become more highly industrialized, we become more dependent upon other nations for raw materials and for markets to sell the things we produce. And as the world grows "smaller" because of the speed and efficiency of travel, transportation, and communication services, all nations become more interdependent economically and socially. We therefore need to

give increased attention to the subject of world trade-and particularly to the effects that trade barriers have on international relations.

3. The concept of comparative advantage may be difficult for some students to comprehend. Perhaps the concept can be more clearly developed by showing that it actually applies in our own homes and communities. For example, very few of us today repair our cars, make our furniture, or build our homes. We let others do those things they can do better than we can, and we in turn devote our energies and talents to the jobs we can do best. Then we trade among one another for the goods and services we need and want. In substance the concept of comparative advantage relates not only to world trade, but can indeed to be applied to the various levels of modern living.

4. Organize a debate between two panels of students, one in support of and one in opposition to freer trade for the United States. Some of the students on the panels may wish to assume the roles as representatives of special interests such as agriculture, labor, banking, industry, military, consumers, or a political part. (Assignments for this project should take place after discussing activity 5 of Applying Your Business Knowledge.)

5. Give groups of students the opportunity to arrange bulletin board displays about world trade. The following ideas might motivate students to develop attractive and pertinent displays: a. Collect advertisements and labels of foreign-made goods. b. Feature headlines and articles by or about government officials, political candidates, and leaders from business and academic fields who express strong points of view on questions and issues about international trade. c. Prepare a student-made map of the world showing the sources of foreign materials which are essential in producing a pair of shoes, a bar of soap, a radio, a typewriter, a piece of jewelry, or some other item of common use. Or if preferred, a map might be developed showing the countries from which local manufacturers obtain the basic materials they need. d. Identify some of the local industries that export a substantial amount of what they produce. Make a table-or a world map-showing what local products go where. e. Other displays might relate to free trade, trade barriers, foreign money, and other topics suggested by the students.

General business teachers will want to obtain without charge copies of two 18"x37" maps: "The World Makes an Automobile," giving sources of nearly 70 different materials used in cars; and "America's Products and the Trucks that Carry Them," showing the principal products of the various states. These excellent maps are available from the Director of Educational Services, Automobile Manufacturers Association, Inc., 320 New Center Building, Detroit, MI 48202.

6. Encourage class members to organize into small groups to develop skits depicting various world trade practices and problems, such as the following: a. what a trade barrier is and how it works, b. the effects of a high protective tariff on consumers, producers, and workers; c. problems and procedures in selling a selected product in a foreign country, and d. the dependence of a particular industry on raw materials from other countries.

7. After most of the students have a reasonable grasp of the principles and problems of world trade, it is suggested that a person who has experience and background in this field be invited to talk informally with the class and to answer questions. Among the resource people who may be willing to visit the class are U.S. Customs Office officials, representatives of the international department of a bank or a large chamber of commerce, and businesspeople who are directly engaged in importing or exporting.

8. If your school is located in or near a large city, it may be possible to get a representative from a foreign consulate to come to speak to the class about trade between the United States and the representative's country. This would give students an opportunity to learn what their state and nation send to that foreign country and what we import from that country. Sometimes a consulate will lend an attractive and informative exhibit illustrating the trade relations between its country and the United States. Furthermore, students should know about the services rendered by foreign consulates in our country and by American consulates abroad.

9. Transparency Master 48-1 can be effectively used to point out the differences in the productive capacities of nations and that because of these differences one nation can produce and market certain types of goods more efficiently than other nations. This transparency master should be used to amplify the discussion of comparative advantage. Transparency Master 48-2 can be used to expand the discussion of our dependence on other nations of the world for certain products.

Improving Your Business Vocabulary, page 566

1. trade
2. domestic trade
3. world, foreign, or international trade
4. imports
5. exports
6. rate of exchange
7. import quota

Understanding What You Read, page 566

1. Students may draw from the information in the textbook and from observations and general knowledge. The following are a few examples of regional specialization in the United States: automobiles, Michigan; cheese-making, Wisconsin; oranges and other citrus fruits, Florida; pineapples and sugar, Hawaii; sheep-raising, Wyoming; fishing industries, New England states; oil, Texas; motion pictures, Southern California; and publishing, New York. The following are a few examples of regional specialization in the world: coffee, Brazil; bananas, Honduras; rubber, Malaysia; watches and clocks, Switzerland; toys, Japan; diamonds, South Africa; paper, Canada; cameras and optical instruments, West Germany; and carpets, Iran.

2. Imports account for our total supply of bananas, coffee, cocoa, spices, tea, silk, and crude rubber.

3. Ninety-nine percent of our supply of aluminum ore is improted (see Illustration 48-1, page 559).

4. You might prefer to buy a foreign product even at a higher price because you believe that product to be of higher quality than similar products in the U.S.

5. Machinery and agriculture are two segments of the economy particularly dependent on world trade.

6. The U.S. sends the greatest amounts of exports to Canada, Japan, and Mexico. It receives the greatest amount of imports from Canada, Japan, and Venezuela.

7. Rates of exchange are established for convenience when money from different countries is exchanged.

8. Tariffs are levied to protect defense industries, to protect new industries, and to protect native workers.

9. Other means of limiting imports are import quotas, buying regulations, licensing requirements, and customs procedures.

10. The U.S. system of measuring is a barrier to trade because some nations do not want to buy goods unless they are measured in metric units.

Applying Your Business Knowledge, page 567

1. If trade did not exist among various countries, people would have to do without most of the things they use today. Diets and food selections would be altered drastically if imports were not available. For example, without trade, people in many lands would not have coffee, tea, or cocoa to drink; bananas, oranges, pineapples, melons, and other fruits would not be obtainable; and meats and cereals and other foodstuffs would be in short supply, limited in choice, and in many instances very expensive. Similarly, there would be a great reduction in the selection and quality of almost all other kinds of products we use, including clothing, household utensils and appliances, typewriters and office equipment, automobiles, and medicines. Without international trade our levels of living would be adversely affected because it would be impossible to obtain or to make most of the things we use and enjoy today. Industries would be reduced and some would disappear if people in various countries could not import raw materials (e.g., iron ore, tin, rubber, textiles) essential for the manufacture of goods. No nation is self-sufficient. World trade makes it possible for people in different countries to have more goods and services available to satisfy their wants and thereby enable them to live better.

   From a broader point of view, world trade fosters a high international standard of living because it enables a nation to sell those products for which it has a manufacturing advantage and to buy those products for which it has a manufacturing disadvantage. Each nation is inclined to manufacture those items that it can produce most efficiently, making the best use of its human and natural resources.

2. It would not make sense for the U.S. to import nothing. If such a policy were pursued, the U.S. in the long run would not succeed in exporting very much because other countries would not have the money to buy from us. Other countries must sell us some of their products in order to obtain the necessary dollars to buy the things they want from us. This relates to the concept that world trade must be a

two-way street. The United States, even if completely self-sufficient, would no doubt find that some of the products of other countries would be better in design and quality and lower in price than similar products it produced. So, by importing those things that can be most advantageously produced elsewhere, the U.S. can prosper and profit from exporting those things that it can most efficiently make.

3. Some of the difficulties that a business might experience in trading with Turkey include the following: language barrier-very few Americans are able to communicate (orally or in writing) in the Turkish language; tariffs, quotas, and other restriction on imports imposed by the Turkish government; competition from manufacturers of toasters from other countries; problems of modifying the American-made toasters to work properly within the wiring and electric power standards of Turkey; problems in setting up distribution channels to market the toasters in Turkey, the population of which is about two-thirds rural; and differences in monetary systems-American dollars vs. Turkish liras. (Students may contribute additional items.)

4. Infant industries are new enterprises that are getting started in a country and which, during their early stages of development, may need protection from foreign competition. For example, assume that Country A has been buying all its TV sets from other nations. Several manufacturers in Country A decide that they can eventually make TV sets as efficiently and inexpensively as any other country. But while these manufacturers are getting the TV business under way, they claim it will be necessary to be protected from foreign competition by having the government levy a high customs duty or tariff on TV sets from abroad. In this case the manufacturer of TV sets would be considered an infant industry in Country A. Examples similar to this could extend to automobiles, tires, cameras, watches, electrical equipment, chemicals, textiles, prepared foods, beverages, and countless other products.

If a new industry shows promise that it will be able to produce desired goods as efficiently and at least as inexpensively as the same type of industry in other countries, then the government should encourage that industry to get started and established. One way the government can do this is to keep competing products our of the country through high tariffs or quotas in order to allow the infant industry to develop. Protection of young industries is important and understandable particularly for those nations which are emerging from mainly an agricultural economy and which still have a long way to go to reach industrial maturity. After an infant industry has reached the stage at which it can successfully compete with established industries of the same kind in other countries, continued protection by high tariffs and other barriers would be hard to justify.

5. Arguments in favor of or against high tariffs are controversial. Some people support high tariffs; some people want "free trade" without barriers of any kind. The following arguments are not submitted as truths or facts; they are viewpoints which are debatable.

   Arguments in favor: a. Auto industry is one of the largest in U.S.; outside competition will curtail production in this vital industry, leading to serious enemployment not only among auto workers but in many other fields which supply industry with goods and services. b. Competition from countries where working conditions and wages are poorer than ours will tend to lower the standard of living now enjoyed by U.S. workers. c. A protective tariff will help keep prices high enough so that the auto industry will be encouraged to engage in research and experimentation aimed to improve the quality and performance of compacts. d. Auto industry is especially important for national security. Auto factories can convert readily to defense production. Nothing should be done to weaken the industry's position.

   Arguments against: a. Competition from abroad will force U.S. manufacturers to be more responsive to the demand of the American public for transportation that is cheaper and safer. b. Competition will stimulate U.S. auto producers to be innovative in designing and making compact cars that are better and less expensive than foreign models. c. Auto industry will tend to become inefficient, outdated, and complacent if it is not faced with the threat of alert competition from successful producers abroad. d. Elimination of trade barriers will improve international relations and will promote good will among nations.

Enriching Your Business Understanding, page 568

1. Responses to this activity should bring forth a wide and interesting array of commodities, including perhaps several of the following: canned fish, coffee, curry powder, nuts, olive oil, pepper, pineapples, rice,

sugar, tea, tapioca, and wines.

2. Balance of trade means the difference between the amount of a country's merchandise exports and its merchandise imports. If a country sells more to other countries than it buys from them, it is said to have a favorable balance of trade. If it buys more than it sells, it is said to have an unfavorable balance of trade.

   If we know the dollar value of all our economic transactions with foreign countries, we can find our balance of payments. This is the difference between our total payments to other countries and out total receipts from other countries. Included in our payments and receipts are all purchases of imports, all sales of exports, money spent and earned on travel, military expenditures overseas, loans to and money borrowed from foreigners, and other such transactions. After adding up all these transactions, if we find that we are spending more in other countries than we are receiving, we have a deficit in our balance of payments. If we are receiving more than we are spending, we have a surplus in our balance of payments. Countries try to balance their spending and receiving with other countries just as individuals try to balance their spending and receiving.

3. The European Economic Community, commonly known as the Common Market, came into being in 1958 as a regional plan for economic cooperation among six member nations: Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany. Great Britain, Ireland, and Denmark joined in 1973. The Common Market was established for the purpose of abolishing tariffs and import quotas on products trades among the members as well as for the purpose of establishing a common tariff around themselves on goods imported from other countries. Additional goals aimed at promoting economic growth are being pursued.

4. Results from this activity will differ a great deal among groups. The teacher should work carefully in organizing the groups so that there will be a minimum of duplication in the kinds of businesses being surveyed. The teacher will also want to be sure that members of each committee prepare themselves well prior to their investigations. Insofar as possible, they should make decisions in advance as to what information is desired, how to collect it, how to organize and report it, and what follow-up actions might be appropriate.

UNIT 12

STARTING YOUR CAREER

This unit culminates the study of careers which began in Unit 3, and helps to cap off the Career Focus sections at the end of each unit. Unit 12 deals essentially with the notion that the student should do some careful planning about a career. It says that a young person should look at himself or herself and try to define the skills or knowledges that the person has that might lead to a career. It is very important that the teacher not indicate to students that the career plan is a one-time thing.

In introducing this unit, the teacher might well refer the students to a review of Parts 8, 9, and 10, and also have them look back at the Career Focus sections at the end of various parts of the text. This unit of the text could be introduced earlier if the students' needs demand it or if the school is actively engaged in career education program dealing with career awareness and career exploration.

The young students can with appropriate use of field trips, classroom talks by resource speakers, and the use of transparencies and other audiovisual materials on careers, begin to put into focus a picture of themselves and the world of work.

The objectives are to:

(1) Understand how the world of work is changing, and recognize that increased education is necessary to obtain and advance on a job.
(2) Appreciate the desirability of planning early and carefully for a career.
(3) Understand the relationship between desirable personal qualities and success in living and working with others.
(4) Understand the employment practices used and general qualifications considered by employers.

PART 49

PLANNING WHAT YOU WILL DO

Learning Goals

1. Appreciate the wisdom of starting early in life to explore the world of work and to study about job opportunities and job requirements.

2. Develop the ability to analyze one's interests, aptitudes, abilities, skills, and other personal characteristics in relation to requirements for success in various fields of work.

3. Know the guidelines to use in making the choice of an occupational field.

4. Appreciate the need for continuing one's education in order to hold a job in a changing world.

Suggested Teaching Procedures

1. In this part emphasis should be placed on the importance of making a self-analysis of interests and abilities, of studying about job duties and job requirements, and then of relating the results of these actions in terms of choosing an occupational field and preparing for employment in that field.

2. Transparency Master 49-1 is useful in helping students look at the educational steps to achieve their goals. Ask the students to choose an occupational field and list the jobs from entry to the highest that they desire. Ask them also to describe the kind of education needed to advance each step. Use *Applying Your Business Knowledge* activity 4.

3. Check on the progress being made on the career projects. These will need to be submitted to the teacher sufficiently in advance of the close of school to permit evaluation of the reports and returning them to the students.

4. *Applying Your Business Knowledge* activity 2 should be completed by all students. A lively class discussion can be anticipated from responses to the question. Use small-group discussions for open minds and much participation. Use groups of 5 or 6 with a leader and a recorder. All groups should report to the wholesale class at the end.

5. *Enriching Your Business Understanding* activity 3 lists the most important traits for job success. A class discussion of the desirable character traits, their order of importance, and means of enhancing these characteristics might profitably be developed.

6. *Enriching Your Business Understanding* activity 2 should be used to emphasize the concept of training to overcome the problem of the nonskilled unemployed. Counselors from educational institutions can be invited to be present.

7. Transparency Master 49-2 can be used to indicate that it is best to choose a broad occupational area such as office occupations and then narrow the choice to a specific job such as legal secretary.

8. In reference to the discussion of special tests on page 578 of the text, ask the school counselor to come in and talk about the interest inventories which the school can administer. The Kuder Interest Inventory is available. If the students are juniors or seniors, contact the state employment service to see what tests they will administer.

9. In teaching this part and Part 50, it would be advisable to work closely with the counseling or guidance department of the school. It would be wise to develop these parts so that they are consistent with the general guidance policies of the school. The school counselors may be able to supply teaching aids as well as assist in presenting certain phases of the instruction. In addition, the counseling office should be in a position to assist in administering and interpreting interest inventories, aptitude tests, personality tests, and other measurement devices.

10. Obtain copies of the booklet, "Introduction to the World of Work" from the Ohio Bureau of Employment Services. Phone number is 466-4723. The booklet is free. The vast work of world is divided into twenty-two broad areas. Purpose of this booklet is to broaden the choice of occupations open to each student.

11. Job Experience Kits are available from the Career Education Department, phone number is 228-8046. Each kit enables students to engage in simulated work situations in twenty different occupations. The student is given the chance to try out realistic work problems in a specific occupation.

12. Invite your high school vocational counselor to class to explain vocational programs available to

students at their high school and city-wide. Have the counselors explain the procedure that students must follow to be admitted to the programs. Allow students to fill in sample forms.

13. Many students in your classes have part-time jobs. Have the students list

a. What qualifications you have for this part-time job.
b. Why you think you would be interested in this job.
c. How your personality fits this job.
d. How does this job fit into your long-range career plans.

Students without a job should select one that they would like to have.

14. Have students list jobs by the following categories. The work is performed:

a. Mainly indoors or outdoors.
b. While standing or sitting.
c. When the noise level is unpleasant
d. Under dangerous conditions
e. In pleasant and attractive surroundings.
f. Twenty four hours a day, 365 days a year.

Discuss how these categories would affect your job choice.

15. Invite a school guidance counselor to class to describe the various personality traits listed below to your class, then have your students rate their own personalities. Discussion should center on how personality traits can affect career plans. (See attached form)

16. Now is an excellent time to expose your students to the vocational offerings available in Columbus Public Schools. A few suggestions follow:

a. A walking field trip to the local high school. Tour the various vocational programs.

b. Invite vocational students from the local high school to your class to discuss their program and/or jobs.

c. Take a field trip to a career center. You should list the various courses offered in each center and let the students decide which center to visit.

PERSONALITY RATING					
Trait	Excellent	Good	Fair	Poor	Very Poor
ATTITUDE					
COURTESY					
DEPENDABILITY					
DESIRE TO SUCCEED					
ENTHUSIASM					
FORESIGHT					
FRIENDLINESS					
HEALTH					
HONESTY					
INIATIVE					
LOYALTY					
MORALITY					
NEATNESS					
OPEN-MINDEDNESS					
PERSONAL APPEARANCE					
PUNCTUALITY					
SELF CONTROL					
SENSE OF HUMOR					
TACT					
USE OF VOICE					

d. Plan a field trip or invite a speaker from Columbus Technical Institute to discuss Vocational Programs after High School. Phone number is 221-6743.

17. "Making Your Own Future" - a comic book presentation on obtaining jobs. Contact Snelling and Snelling at 221-6471.

Other Sources of Information:

1. Contact Career Education Department.
   Phone Number is 228-8046.
   - a. Carousel Slide presentation on Vocational Education Programs
   - b. Career information - a directory of free materials
   - c. National employment trends and prospects.
   - d. Encyclopedia of Careers - Volume I & II
2. Dictionary of Occupational Titles - Volume I & II
   See your guidance counselor.
3. Occupational Outlook Handbook
   See your guidance counselor
4. "Yellow Pages of Learning Resources" - MIT Press
   Massachusetts Institute of Technology, Cambridge, MA 02142 $1.95 per copy.
   It is a guide to people, places, and things. Some occupations included are:
   - architect
   - bricklayer
   - locksmith
   - real estate broker
   - taxi cab driver

PART 49

PLANNING WHAT YOU WILL DO

Understanding What You Read Page 580

1. The personal services industry is expected to grow by the greatest amount from now through the mid-1980s. (See Illustration 49-2.)

2. Employment needs are expected to grow smaller in the mining and agriculture industries. (See Illustration 49-2.)

3. Tests can help you to recognize your special interests and abilities.

4. Your hobbies can reveal special interests and abilities that will be useful to you in a career.

5. Construction workers, mechanics, and factory workers often need physical strength to perform their jobs well.

6. Five points to consider as you make a career choice are listed on pages 578 and 579 of the text.

Applying Your Business Knowledge Page 580

1. Answers will vary according to the jobs chosen. The students may wish to include their answers in their career projects.

2. Brenda should be concerned about her future career. The more she thinks about it, the more likely she is to plan her school program satisfactorily. Of course, she need not reach a definite decision before she graduates.

A person is often identified by occupation when meeting others. Most daily contacts occur while at work. A person's thinking about politics and economics is often affected by that individual's occupation.

For some people, their career is foremost in their lives. At the opposite extreme are those who separate their jobs from the rest of their lives as much as possible. It all depends on personal values. Ideally, a career should not cause problems with home life, have a bad effect on one's health, or keep a person from hobbies or recreation.

4. The answers to this question will vary. The individual answers can be valuable to the teacher in assessing how well students understand career planning. Sharing the ideas in class can broaden the students' ideas regarding various careers.

Enriching Your Business Understanding Page 582

1. It is technically true that just about anyone can find work of some sort, but certain qualifications must be met. Some individuals have no skills or basic education to offer an employer. They may not find a job that pays wages even at the poverty level. Highly trained workers, managers, and proprietors may become unemployed because of priority shifts in the economy. Skilled workers may not be able to find employment because the kind of job for which they are trained simply is not available. In short, the statement is true but only appropriate when certain qualifications are made.

2. Answers will differ with the local area. The information can be incorporated into the students' career projects.

3. The purpose of this activity is to encourage the student to think objectively about his or her possibilities of success in employment. The teacher will have to decide whether a student's paper is seen by that student only or whether it is also examined by the teacher. If the teacher wishes to discuss a student's paper, the discussion should be a private one.

PART 50

ENTERING THE WORKING WORLD

Learning Goals

1. Realize that part-time and vacation jobs can contribute valuably to developing a background of experience for future success.

2. Be able to make use of sources of help in locating job leads.

3. Be able to write a good letter of application and prepare a personal data sheet.

4. Be able to read and complete in an accurate and neat manner an employment application.

5. Know the purpose of the job interview and how to conduct oneself during an interview.

Suggested Teaching Procedures

1. In this part, the student should be impressed by the benefits of part-time and vacation work experiences. This part also gives ample attention to the employment practices and procedures commonly used by business firms. Although the employment situation creates potential conflicting interests, it is mutually advantageous for employers and employees to satisfy each other's wants.

2. There is no standard procedure for the selection and hiring of employees in business. Large businesses, municipal, state, and federal government agencies, and certain public and private institutions frequently follow highly organized and systematized procedures. Small business proprietors, employers in the professions, and others, however, seldom use systematic procedures for the selection and hiring of employees.

3. The teacher should point out that an employee should thoroughly understand the conditions of employment. In some instances the conditions of employment may be established by agreements entered into between individual employees and employers. In other cases the conditions of employment are affected by contracts entered into between labor unions and management. Students should be aware of this in seeking part-time employment.

4. It should be emphasized that an applicant should exercise particular care in filling out application forms accurately and neatly. Sample application forms used by local businesses may be prepared by each student as an exercise.

5. Ask a group of student volunteers to prepare and present a skit on proper and improper ways to apply for a job.

6. A personnel manager or a local employer may be invited to speak to the class about the procedures followed in his or her organization for the selection and hiring of employees.

7. Invite to a class a representative from the nearest office of the state employment service. Ask the representative to describe services, including testing, counseling, and placement. Contact Mrs. Katherine Clyde at 466-4704. OBES asks that teachers combine classes and limit discussion to one class period.

8. A practical way for students to engage in job interviews under classroom supervision is to ask personnel directors to come to the classroom and interview students for employment.

9. Transparency Masters 50-1 and 50-2 should be used to assist the students in evaluation of the work they are best suited for and the factors they should consider in choosing a job.

10. Contact the Ohio Bureau of Employment Services to obtain the booklet entitled, "How to Get a Job." Phone number is 466-4723. Sections included in the booklet are:

a. Personal checklist
b. Job application
c. Sample Resume'
d. Sample covering letter
This booklet is free.

11. Contact the Western Electric Company at 6200 East Broad Street to obtain the booklet entitled, "Helpful Hints for Young Job Seekers." Phone number is 868-2000. This booklet is free.

12. A notebook of transparencies developed by SRA, "Knowledge Needed to Obtain Work," is available from Indianola Junior High Career Education Department, Phone number is 299-6135. Transparencies include:

a. Selecting a Job
b. Finding Employment Openings
c. Filling Out an Application
d. Preparing To Take an Employment Test
e. Preparing for the Interview
f. Interviewing
G. Follow-up on Job Application

13. "Beginners Guide To Work" is an excellent booklet to obtain for your classes. Booklet is free from the Ohio Bureau of Employment Services. Phone number is 466-4723. Sections include.

a. Words from the Workplace
b. Employment Laws
c. All About Pay
d. Goofing Off is Out

14. New York Life Insurance Company has a booklet available entitled, "Making the Most of Your Job Interview." The booklet contains material on the preparation for the interview, the interview itself, and the follow-up. Phone number is 224-8203. Order one month in advance.

15. Invite a school guidance counselor to class to conduct a mock job interview. Have the counselor interview different students for different types of job possibilities. Tape interviews for later discussion.

16. The counseling section of the Ohio Bureau of Employment Services publishes the Ohio Employment Information Series as a guide to occupational and vocational training and employment requirements in Ohio. This series contains three parts:

Part I - Occupational Briefs
Part II- Training Directory
Part III - Licensed Occupations and Businesses in Ohio.
This series is available free of charge. Phone number is 466-4723.

17. Plan a Career Day for your students. Have each student accompany his parents or guardian to work for one day. Each student must write a report describing the various activities of the day. Purpose of this project is to give the student a "hands on approach" to the world of work. Therefore, the student must engage in the actual work for a short time period and not just observe the activity. Contact Mr. Otto Smith, Crestview Junior High School, Career Education Coordinator, for suggestions. Phone number is 262-2515.

18. Ask members of the local business community to set up individual displays at your school in a Consumer Fair. Select two students from your classes to represent each business.(morning representative - afternoon representative). Try to select students that have career plans linked to the business. Each student then becomes the business representative at the display. Each must be able to quote prices, list products, and explain the use of the product. The Consumer Fair should be open to the public and your individual school. Contact Mr. Otto Smith, Crestview Junior High,Career Education Coordinator, for suggestions. Phone number is 262-2515

PART 50

ENTERING THE WORKING WORLD

Improving Your Business Vocabulary Page 591

1. letter of application
2. personal data sheet
3. application form

Understanding What You Read Page 591

1. Students can get valuable work experience in part-time, weekend, and summer vacation jobs. Many schools have cooperative work experience programs. Many civic and religious organizations need volunteer workers also.

2. Work experience of any kind helps in career planning because you will learn what employers and how to work on the job. You will also learn a great deal about how the business world operates. Work experience is also one of the best ways to try out a career area and see how it suits you.

3. Possible job leads can be found from: (1) family, (2) friends, (3) teachers, (4) guidance counselors, (5) school bulletin boards, (6) school job placement service, (7) classified section of the newspaper, (8) local office of state employment agency, and (9) private employment agency.

4. In a letter of application, your object is to sell yourself as an employee to a prospective employer.

5. A personal data sheet tells who you are, what education you have had, your work experience, and the names of some people who know the kind of person you are.

6. A personal data sheet and an application form contain many of the same kinds of information. The application form, however, is a standardized form filled out by everyone who applies for a job with a particular employer.

7. Your application form gives your employer a first impression of you. For this reason, you should be particularly careful in filling out this form.

8. During an interview the potential employer can learn about your personal appearance, speech, and general suitability for the job.

9. An interview is your chance to find out more about the company and the job. You may find out such things as the salary for the job you are seeking, the working hours, etc. Most importantly, you can learn what will be expected of you if you get the job.

10. Five important points to remember when going for an interview are listed on page 588 of the text.

Applying Your Business Knowledge Page 591

1. Each student's list of part-time or summer jobs will be different. Students may wish to include their lists in their career projects.

2. A person in charge of hiring employees needs to know if the applicants are capable and interested in performing the job. This person wants to find the best possible employees. Information would come from every contact with applicants; letters of application and personal data sheets, application forms, and personal interviews.

3. Each student's list will be different. Students should be encouraged to think carefully about references and to include a range of people as references.

Enriching Your Business Understanding Page 593

1. (a) "No fee" means that the agency will not make a charge for finding the job. "Fee paid" means that the employer will pay the fee.

(b) An "open" salary means that the salary is negotiable. "To $600" means that $600 is the most the company will pay and that it will probably offer less. "350 +" can mean that $350 is the least the company will pay and that it will possibly offer more. Or it can mean that $350 is the salary but that a commission or income-saving benefit is provided in addition to the salary of $350.

2 and 3. The answers to these activities will vary among students and among communities.